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As Mutinous as Ever, U.S. Voters Weigh In

*Incumbents Generally Take Blows,
Outcome Leaves Republicans Gleeful*

By Paul F. Horvitz
International Herald Tribune

WASHINGTON — Election returns that carried Republican challengers to two governorships and the New York mayor's office were seen on Wednesday as another tremor under the feet of all incumbents and potentially a new drag on the agenda of President Bill Clinton.

The results of the voting on Tuesday in the three most prominent regional contests left Republicans crowing. But many analysts viewed this core message from the voters: Incumbents beware.

Out was David N. Dinkins, the first black mayor of New York, losing to the Republi-

can Rudolph W. Giuliani, 51 percent to 48 percent.

Out was Governor Jim Florio of New Jersey, in an even narrower loss to the Republican Christine Todd Whitman, 50 percent to 48 percent.

And ended was a 12-year Democratic reign in Virginia, where the Republican George Allen trounced the state's Democratic attorney general, Mary Sue Terry, 58 percent to 41 percent, for the governorship.

Although local issues like crime, race relations and taxation weighed heavily, the voting was something of a blow on a national scale to Mr. Clinton, a Democrat.

The results could not have been well-received in Congress either, where incumbents in both parties are facing re-election battles in 1994 and where many legislators are already exhibiting extreme caution in supporting the ambitious Clinton political agenda.

According to some analysts, the results are most likely to make legislators in both parties even more unwilling to take risks as contentious votes loom on anti-crime measures, fur-

ther budget-cutting and Mr. Clinton's ambitious health-care effort.

This will make the White House's job more difficult as the president promotes a range of new programs and shifts in government policy, said Tom Downey, a former Democratic congressman from New York.

Republicans, however, suggested that there would be no impact on this month's pivotal ratification vote in Congress of the North American Free Trade Agreement. The president sent a legislative package on the trade agreement to Congress on Wednesday.

Mr. Clinton and his aides dismissed the results as essentially based on local issues or demonstrating the same tide of political change that had put Mr. Clinton in office in 1992.

"The American people want change and they want results," the president said.

Mark Gearan, Mr. Clinton's communications director, said he saw nothing in the results "that can dissuade us or remove any ounce of our initiative for pushing forth on the kind of change-oriented agenda the president has laid out."

Republican victors were quick to capitalize on their success. Mrs. Whitman and Mr. Allen pointedly warned the White House not to press an agenda that focused on new taxes and liberal ideology. The Republican national chairman, Haley Barbour, said, "Our tremendous success this year bodes well for our prospects in 1994."

In general, congressional elections in non-presidential years prove damaging for the party in the White House.

But for the Democratic Party, the fact that the nation's two largest cities, New York and Los Angeles, have fallen to Republicans since Mr. Clinton's election in 1992 is not promising.

The result in New Jersey essentially turned on Mr. Florio's \$2.8 billion state tax increase, which ignited a voter rebellion and illustrated how resistant American voters remain to

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The emotions of both combatants for New York mayor were clear enough. Rudolph Giuliani, above with his wife, Doona, and David Dinkins, with his wife, Joyce.



Kathy Willens/The Associated Press

Deng Verbatim (and Between the Lines, Worry)

By Patrick E. Tyler
New York Times Service

BEIJING — China's top Communist Party officials appeared to be preparing for the death of their paramount leader this week by issuing what is likely to be the final volume of Deng Xiaoping's private speeches. The book includes blunt comments about his role in ordering the Tiananmen Square crackdown and his fear that democracy in China could ignite civil war.

The appearance of these valedictory writings at a time when Mr. Deng's health is reported to

be failing, together with the saturation coverage they are receiving in the official press, reflects what Western diplomats here say is the insecurity of Mr. Deng's successors over China's political stability after his death.

Mr. Deng's death will cut the Chinese Communist Party loose from the political anchor he represents as senior leader. Many Western analysts say they believe that Mr. Deng's death could embolden internal political and economic forces to revolt against party control.

The issuance of the 119 selections of speeches

and recorded talks, most of which have not been previously published, is the most authoritative rendering to date of Mr. Deng's conversations with American presidents, other world leaders and Communist cadres from September 1982 to February 1992, which are the peak years of his power and influence.

In the approach to the Tiananmen crisis of 1989, the book has Mr. Deng explaining to President George Bush, on Feb. 26, 1989, that "stability takes precedence over all China's problems."

"If all one billion of us undertake multiparty elections," he said, "we will certainly run into a full-scale civil war in the style of the cultural revolution," the 10-year period of political tumult that ended with the death of Mao Zedong in 1976.

"Civil war doesn't necessarily require guns and artillery," Mr. Deng told Mr. Bush. "Fists and wood bats can also be wielded ferociously."

One of the first Americans to visit Mr. Deng three months after the military crackdown on

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the issuance of the 119 selections of speeches

German AIDS Tests Urged for 'Millions' Hospitals Expect Flood of Demands Amid a Widening Blood Scandal

By Rick Atkinson
Washington Post Service

BERLIN — German health officials called Wednesday for millions of patients who have received transfusions or other blood products since the early 1980s to undergo AIDS testing as a scandal over contaminated blood threatened to trigger panic across Germany.

Hospitals and medical clinics braced for a flood of frightened patients certain to tax the country's AIDS testing capacity.

Medical experts said that millions of surgical patients and their sexual partners could demand to be tested, although the number actually infected by tainted blood is unknown.

Health Minister Horst Seehofer, whose call for widespread testing was echoed by other public health experts, announced that the screening would be paid for by the national health insurance system.

"I understand the public's concerns and fears," Mr. Seehofer said in Bonn. "The fastest and most foolproof way to re-establish a feeling of security is by undergoing an AIDS test."

Mr. Seehofer said that the cost of the tests would be reimbursed by the government.

"One should not speak of money but necessity."

Out of more than 60,000 people in Germany with the HIV virus that causes AIDS, 2,305 people are known to have contracted the virus through blood transfusions.

Hospitals were struggling to cope with the need to check through millions of patients' records to identify those treated over the past 10 years with products of UB Plasma, the company that is alleged to have distributed the tainted products. They said only a fifth of patient files made clear where the blood originated.

The German AIDS-Help organization said blanket AIDS testing was irresponsible. "It frightens people unnecessarily," said Hans-Joachim Linkens, a group spokesman.

As health officials grappled with Germany's biggest health scandal since World War II, prosecutors disclosed that they were investigating allegations that the pharmaceutical firm knowingly distributed plasma contaminated with the HIV virus.

Four UB Plasma employees, including the company's manager, have been arrested and charged with fraud and "negligent killing."

Mr. Weise also said that UB Plasma, which was closed by police last week, had been financially strapped and may have taken shortcuts in its testing procedures to save money.

"The firm has been in debt for years and

should have gone into bankruptcy a long time ago," the prosecutor said.

At least 60 hospitals and clinics across Germany received blood products from UB Plasma or several intermediary firms, according to health officials. Some products also were exported to Austria, Saudi Arabia and Greece.

There is no evidence yet that contaminated blood was shipped to the United States. However, a spokesman for the U.S. Embassy in Bonn said there is growing anxiety among the hundreds of thousands of U.S. military personnel and their families who have served in Germany in the last decade, since U.S. hospitals here have traditionally relied to some extent on German blood banks.

The scandal began to unfold last month when Mr. Seehofer had kept quiet about 373 cases in which patients received contaminated blood. Most of those dated from 1985, when screening procedures for HIV-tainted blood were adopted, or earlier. Several officials were dismissed and Mr. Seehofer dissolved the health office.

The latest disclosures, however, also involve alleged negligence in screening blood supplies as recently as the early 1990s. According to health officials and German press accounts, UB Plasma apparently failed to test two-thirds of its donated blood supply in some cases.

The full dimensions of the crisis may not be known for weeks or months. Parallels have been drawn to a similar episode in France, where an estimated 1,200 hemophiliacs ultimately died after receiving tainted blood. Several officials were imprisoned. But the German scandal could be broader, officials warned, and is likely to involve a broad cross-section of patients.

For example, a spokesman for the Social Affairs Ministry in the state of Lower Saxony said Wednesday that "we operate on 120,000 people a year."

"Over 10 years, that means up to 1.2 million people are potentially affected by the call to be screened."

Clinics and hospitals reported a surge in the already heavy volume of calls.

The president of the Federal Physicians Council, Karsten Vilmar, said that the risk of infection by transfusion remains extremely low. Nevertheless, optional surgery has dropped dramatically as blood banks scramble to determine where their blood came from.

Jürgen Vetter, a spokesman for the German AIDS-Help organization in Berlin, said that the call "for general AIDS testing in Germany is irresponsible and reckless."

"We don't have the facilities and we can't provide proper counseling for everyone before they're tested."

Peter Luther, health expert in the Berlin Senate, said officials from throughout Germany will meet in Hamburg on Thursday to look for ways to deal with the crisis.

Russians Drop Vow Not to Use Atom Arms First

By Serge Schmemann
New York Times Service

MOSCOW — The Russian defense minister said Wednesday that a new Russian military doctrine abandoned a long-standing pledge from the former Soviet regime not to use nuclear weapons first.

General Pavel S. Grachev said that the new doctrine ruled out the use of nuclear weapons against nonnuclear states that had signed the 1968 Nuclear Nonproliferation Treaty, unless they were allied with a nuclear-armed country.

"As for those states that have nuclear weapons, the doctrine says nothing," General Grachev said. He declined to elaborate further, but that omission confirmed reports that Russia would not reiterate the pledge against the first use of nuclear weapons made in 1982 by Leonid I. Brezhnev, who was then the Soviet leader.

In practice, the change in Moscow's position was less a change in strategy than a change in public stance. Mr. Brezhnev's declaration was perceived at the time as a propaganda gambit aimed at the anti-nuclear movements in the West, and not as a credible policy.

In any case, the United States never made a similar pledge, arguing that the threat of using nuclear weapons was what made them useful as a deterrent.

"They have not really abandoned 'no-first-use,' they only abandoned the statement," said Stephen Meyer, a specialist on Russian armed forces at the Massachusetts Institute of Technology.

"No one there or here ever had a 'no-first-use' policy — only very naive people ever had it."

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MALIBU ON FIRE — Flames rising on the hills above Malibu, California, on Wednesday as new blazes raged out of control, destroying at least 200 homes. Page 8.

Kiosk

Yeltsin Wants to Scrap Promised Presidential Vote

MOSCOW (AP) — President Boris N. Yeltsin has backed away from plans to stand for reelection next June, presenting provincial leaders Wednesday with a draft constitution that would allow him to remain in office until 1996.

In September, Mr. Yeltsin promised the early presidential vote when he dissolved Russia's parliament and called for December elections to a new legislature.

But Mr. Yeltsin circulated a new draft constitution Wednesday to leaders of Russia's 89 republics and told them he would approve it

even if they did not. The draft constitution is to be put to a nationwide referendum in December.

A major provision of the draft says Mr. Yeltsin will exercise his duties until his term expires in 1996 — not simply until June.

Daimler Losses Rise, Mercedes Revs Up to Race

By Brandon Mitchell
International Herald Tribune

FRANKFURT — In a strategic return to its roots, Germany's Daimler-Benz AG coupled the announcement on Wednesday that it lost 1 billion Deutsche marks in the first nine months of 1993 with the news that its Mercedes-Benz division would re-enter Formula One automobile racing in 1994 for the first time since 1955.

The company's \$1.1 billion third-quarter loss, attributed to costly one-time charges for layoffs and restructuring, is double the loss it recorded in the first half of the year. On Tuesday, the company's chairman, Édouard Reuter, hinted that Daimler might cut its 1993 dividend.

Last month, Daimler became the first German company to have its shares traded on the New York Stock Exchange. The projection of losses was required by U.S. regulations, which are stricter than local standards.

Under German accounting rules, the company's nine-month loss was 168 million DM. Exact third-quarter statistics compiled according to U.S. accounting practice will be published Dec. 14, said Daimler, which is Germany's largest company.

Separately, Daimler's Mercedes-Benz motor vehicles division confirmed persistent industry speculation that it was planning a return to Formula One racing, a prestigious showcase for motor manufacturing technology.

Norbert Haug, Mercedes' director of motor sports, said the company planned to compete in 16 Formula One Grand Prix races next year and would enter the IndyCar series in the United States and Canada in 1995.

It will be the company's first participation in

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Exiles Return, Wallets Full, to Help Saigon Be Saigon

By Philip Shonan
New York Times Service

HO CHI MINH CITY — After fleeing Vietnam seven years ago with nothing but the desperate hope to make a better life anywhere else, Minh Le returned this fall with a bottle of perfume, a bottle of champagne, and \$2,000 in cash.

They were gifts for his parents, who remained behind when Mr. Le, now 30, slipped across the border into Cambodia in 1986 and found a rickety boat to take him to Thailand. He eventually made contact with relatives in the United States, and today he is a computer entrepreneur in Falls Church, Virginia.

"When I left, there was nothing in Vietnam."

said Mr. Le, whose pastel Hawaiian-style shirt gave him away in the streets of this city as a Viet kieu, a Vietnamese expatriate. Now people have money. Everywhere. I see Vietnamese-Americans who are coming back to Vietnam to do business. They buy land, they buy houses, businesses. Someday I want to come back and do business here, too."

Ho Chi Minh City, the southern Vietnamese city that most inhabitants never stopped calling Saigon, is being revived to a large, and still secretive, degree by the same people who were once desperate to leave.

Nearly 20 years after the first of them risked their lives to escape communism and poverty, many of the so-called boat people are returning.

For several years, the United States has allowed Americans to travel to Vietnam as tourists, although there are still restrictions on the amount of money they can spend here.

At Tan Son Nhut International Airport in Ho Chi Minh City — once the central American air base in what was then the South Vietnamese capital — dozens of Vietnamese-Americans arrive every day to tearful reunions with parents and brothers and sisters.

"It would be difficult for us to be rude to these Viet kieu because so many of them are our relatives," said a Vietnamese diplomat who has one cousin living in Washington and another in California. "We are a very pragmatic people. We need investment from everywhere to rebuild our country."

See SAIGON, Page 8

Bonn Idea: Take

One of Arafat's Closest Aides Is Arrested as Israeli Spy

By Youssef M. Ibrahim
New York Times Service

PARIS — One of Yasser Arafat's closest aides in the Palestine Liberation Organization's headquarters in Tunis was secretly arrested a week ago by Tunisian authorities on charges of being a spy for the Israeli secret service, Mossad, and on suspicion that he was plotting to kill Mr. Arafat.

The move has caused an upheaval within the ranks of the PLO's top leadership in Tunisia.

The accused, Adnan Yassin, 48, was for years one of the closest assistants to the PLO's head of security affairs, Hakeem Balawati, a man with unrestricted access to virtually every sensitive file of the organization and to the senior leadership.

"We are still investigating, but there is little question it is a landmark discovery," said a Palestinian official in Tunis.

"It may explain crucial leaks in the past and tragedies, including the murder of several PLO leaders," the official said.

According to PLO officials, Mr. Yassin was arrested after Tunisian authorities were tipped by the French secret service that he was taking delivery in Tunis of a car loaded with sophisticated listening and explosive devices. The devices were hidden in special compartments of a Mercedes shipped from France, the officials said.

Tunisian authorities would not disclose how long the surveillance operation had been going on and the exact circumstances of Mr. Yassin's arrest. PLO officials said that they had only conducted preliminary interrogation sessions with Mr. Yassin but that he believed he had been an agent of Israel for nearly a decade.

During this period, the Israeli Air Force bombed the PLO headquarters in Tunis in 1985 at a time when

Mr. Arafat was on the verge of arriving there and mounted a commando operation to assassinate his second-in-command, Khalil Wazir, in 1989 in his home in Tunis.

Tunisian and Palestinian officials confirmed that Mr. Yassin's arrest took place a week ago as he was called for a routine meeting with Tunisian authorities to discuss administrative affairs of the PLO in Tunis.

The officials said Mr. Yassin had confessed to having placed sophisticated bugging equipment in the houses and offices of many in the top leadership, including Mahmoud Abbas, known as Abu Mazen, who led all the secret negotiations with Israel over the framework peace agreement signed in Washington on Sept. 13.

An Arab daily published in London, Asharq Al Awsat, on Wednesday described the arrest as "the largest spying operation ever discovered within the ranks of the PLO."

Interviews with Palestinian officials on Wednesday did not shed light on whether Mr. Yassin was planning to murder Mr. Arafat, as Tunisian authorities have suggested.

What is clear is that Mr. Yassin's status, the confidence he enjoyed from his immediate superior, Mr. Balawati, the instant access he had to the top leadership and his vast administrative power within the PLO structure in Tunis set his case apart, PLO officials said.

PLO officials said they were conducting a major review of security arrangements after the second significant security scare since the peace agreement was signed.

Last month, at least seven bodyguards of senior PLO leaders were arrested and closely questioned about connections with the radical Muslim fundamentalist group Hamas, some of whose leaders have called for the murder of Mr. Arafat.

WORLD BRIEFS

U.K. Jury Sees Child Lured on Video

PRESTON, England (AP) — At the trial of two Liverpool 11-year-olds charged with a toddler's murder, jurors saw chilling video footage on Wednesday of the defendants luring their tiny victim away from his mother.

The footage, in a succession of fuzzy black-and-white frames taken by 16 shopping center security cameras, first shows James Bulger, 2, striding with his mother, Denise. One minute and 15 seconds later, James is seen wandering alone. A minute and 29 seconds after that, his mother is seen frantically searching for him.

Roughly four minutes after the first images, James is seen walking near the two defendants, who are identified in court only as Child A and Child B. One minute and three seconds after that, James is seen holding the hand of Child B. Thirty-six seconds after that, the toddler is seen leaving the center with the two boys.

UN Urges U.S. to End Cuba Embargo

UNITED NATIONS (New York) (Reuters) — For the second year in a row, but with a bigger majority, the General Assembly on Wednesday called for the repeal of the United States economic embargo against Cuba.

The vote on the Cuban-sponsored resolution was 88 to 4, with 57 abstentions. The negative votes were cast by Albania, Israel, Paraguay and the United States. Last year's vote was 59 to 3, (Israel, Romania and the United States), with 71 abstentions.

The embargo has been in force for more than 30 years, since shortly after the Cuban leader, Fidel Castro, came to power. But it was strengthened when then-President George Bush last year signed into law the "Cuban Democracy Act" aimed at speeding a transition to democracy in the Communist-ruled country.

Mobil Apologizes to Vietnam Veterans

WASHINGTON (WP) — Mobil Oil Corp. says it has apologized to Vietnam veterans who protested a reception the company held in Ho Chi Minh City last month.

But a Vietnamese veterans group, VietNow of Rockford, Illinois, said it was not appeased by Mobil's apology and planned demonstrations against the oil company, which is based in Fairfax, Virginia, on Veterans Day weekend starting Nov. 12. Mobil's apology came in a letter from Thomas Collins, manager for public affairs in its exploration and producing division, to J. Thomas Burch Jr., chairman of the National Vietnam Veterans Coalition in Washington.

Mr. Collins said Mobil was in Ho Chi Minh City last month for an oil and gas trade show to support its application for a license to explore an offshore area it once held. Vietnam intends to award the exploration license for that area in the near future. Mobil was host at a trade-show reception at the former presidential palace, which North Vietnamese tanks captured during the fall of Saigon in April 1975. "I understand that many of your members believed that Mobil was insensitive to the symbolic implications of a reception in this location," Mr. Collins wrote, adding, "We regret any anguish the symbolism of this reception may have caused you and your members."

Italian President Denies Illicit Gains

ROME (Reuters) — President Oscar Luigi Scalfaro rejected allegations on Wednesday linking him with illicit payments from a slush fund in the 1980s, saying they were part of an attempt to destabilize the country. "We must keep calm and collected," Mr. Scalfaro said in an address broadcast live on television. "First they tried with bombs and now with this most shameful and ignoble of scandals."

Evening news reports had said that a former secret services agent testified that Mr. Scalfaro took \$60,000 per month from a slush fund run by the organization when he was interior minister from 1983 to 1987.

TRAVEL UPDATE

Air France Is Getting Back to Normal

PARIS (AFP) — Air France said Wednesday that it had scheduled 304 arrivals at and departures from Paris airports for Thursday, 87 percent of its normal program.

It said all of its long-haul flights, both departures and arrivals, would go through at both Orly and Roissy-Charles-de-Gaulle airports except for the Paris-New York Concorde flight.

In addition, 65 percent of the usual medium-haul flights would be on the program, it said. The airline is getting back to normal after crippling strike activity.

The United States is going along with airline requests to ease airport security during terrorist alerts. The changes include allowing airports to use private security guards for some patrols, now done by the police and permitting curbside baggage check-ins, which generally are suspended during full alerts. The changes aim at saving money and cut red tape but will not affect passenger safety. "We are maintaining our ability to respond to any threat," an official said.

Air Canada will resume flights to India beginning Saturday, after an almost three-year suspension. It will fly between New Delhi and Vancouver four times a week.

(Reuters)

Flight attendants at American Airlines set up picket lines at 19 airports Wednesday, urging passengers to support them in a contract dispute by boycotting the carrier. The Association of Professional Flight Attendants said it would strike on Nov. 22, four days before the Thanksgiving holiday, if the two sides failed to agree. American said it planned to keep operating if the flight attendants went on strike.

A fire at the Guy Savoy restaurant in Paris, believed set by arsonists, caused extensive damage Wednesday. The restaurant, near the Arc de Triomphe, will be closed for about two weeks, said the owner and chef, Guy Savoy. He said alcohol was used to set a fire in a trash receptacle near the front window about 5 A.M. The restaurant rates two stars in the Guide Michelin. The owner said he had received no threats.

(AP)

Allies Warn Russia On Libya Sanctions

Don't Block UN Effort, Yeltsin Told

By Paul Lewis
New York Times Service

UNITED NATIONS, New York — The United States, France and Britain have warned President Boris N. Yeltsin of Russia that bilateral relations between their countries will suffer if he continues to block plans for new sanctions against Libya over its role in the destruction of a Pan American World Airways flight over Scotland five years ago.

President Bill Clinton and Prime Minister John Major of Britain and Prime Minister Edouard Balladur of France all sent messages to Mr. Yeltsin this week conveying this warning. They said that public opinion in their countries demanded additional measures against Libya because of its refusal to surrender two men accused of complicity in the airliner bombing that resulted in the loss of 239 lives, diplomats here say.

The American message alludes to the danger that congressional opinion could turn against the emerging Russian democracy if Mr. Yeltsin blocks the new sanctions, prejudicing his chances of receiving further financial aid and export outlets in the United States.

Originally, the three allies planned to ask the Security Council to vote the new sanctions unless the United States and its allies agreed to sequester Libyan overseas assets and use them to pay a \$4 billion arms debt it is owed by Libya.

The council has already cut all commercial air links with Libya. But the Russians were apparently angered that the proposed new embargo, which mainly affects supplies of oil-refining and pipeline equipment, had been carefully crafted to protect valuable oil and gas drilling contracts that European companies have won in Libya. The Russians felt that their financial interests should be advanced by the resolution as well.

When the United States and its allies replied that they could not give Russia precedence over Libya's other foreign creditors in this way, Moscow asked them for a \$4 billion interest-free loan instead.

The United States and its allies,



JOHN LEWIS/ASSOCIATED PRESS
PEACE TALKS POSSIBLE — A soldier of the rebel group UNITA outside the rebel capital of Huambo, Angola. In Lisbon, an Angolan official said Angola had agreed to meet rebel leaders and that peace talks could begin next week to end the civil war.

Algerian Forces Kill 10 Fundamentalists in Raids

By Robert S. Ross

ALGIERS — Security forces cracking down on Muslim fundamentalist militants, shot and killed 10 in 3 operations shortly after a single sweep that killed 17, official sources said Wednesday.

The killings followed the weekend release of three French hostages, but it was not clear whether the operations were linked to the hunt for four men wanted in connection with that kidnapping.

The sources described the 10 killed as "terrorists." Algeria's official term for fundamentalists fighting to topple the government.

Security forces killed 17 militants Sunday night and through Monday at Mostaganem, a coastal town 280 kilometers (175 miles) west of Algiers, and four at Larba, a well-known fundamentalist bastion 25 kilometers south of Algiers.

The 10th was killed in Hussein Dey, an eastern suburb of Algiers, near Badjara, which for much of Wednesday was cordoned off by armed security forces.

Witnesses said there was still a solid security presence.

One resident said the operation started at 2 A.M. Wednesday, during the curfew that has been in force since last December.

"Some shooting was heard during the night," said a Western diplomat. The diplomat also said that several hundred members of the security forces had apparently been deployed.

People were allowed in and out of Badjara later Wednesday, but

it was known to turn his car around while en route to work and head home in disguise. A self-taught man (one magazine said of him that he was "swallowed up knowledge like a blue whale does plankton, indiscriminately and without conceit"), Mr. Augstein founded Der Spiegel at age 29 after receiving permission from the British occupying authorities.

Two glaziers from the Danish town of Birkeroed, north of Copenhagen, were jailed this week on charges of paying an employee to drum up business by breaking windows in the city. The glaziers had taken the not-so-subtle precaution of distributing brochures beforehand offering businesses a 25 percent discount.

Brian Knowlton

he allowed the tables to be turned — at least not in the pages of his own magazine, Der Spiegel, the influential German newspaper.

But in the last issue, Mr. Augstein, who turns 70 on Friday, opened himself to questioning from four young Spiegel journalists, average age 29. Among other things, he explains his recent statement that Chancellor Helmut Kohl "is not a bad politician." (That does not mean, Mr. Augstein says, "that he can't make bad policy"); he denies charges that he is a born provocateur ("Whom am I provoking?"); he brushes off competition from the surprisingly successful new weekly, Focus ("I glance through it a bit"); and says he has no plans to retire.

Mr. Augstein admitted that he spends less and less time at the Spiegel offices in Hamburg; he

condemning a plan for the new wing at the National Gallery as a "monstrous carbuncle on the face of a much-loved and elegant friend."

For years, the prince was regarded as a kind of dabbler whose interest in everything from architecture to organic gardening was dismissed as a way to fill his empty days while he waited for his mother, Queen Elizabeth II, to give way and allow him to become king.

At the same time, the monarchy was becoming the focus of criticism, ending in a year of scandal and loss that the queen bitterly complained about in December as her "annus horribilis."

The queen volunteered to pay income tax and opened Buckingham Palace to tourists to raise the money needed to repair fire damage to her home at Windsor Castle. Such gestures assuaged some of the monarchy's critics, who have also begun to see her son's pursuit of good and in a new light.

"Why not a public-service monarchy?" asked

Anthony King, a political scientist at Essex University, who argues that the prince deserves credit for trying to address grass-roots concerns.

Approaching the 25th anniversary of his investiture as Prince of Wales next year, and still uncertain how long he must wait to become king, Prince Charles seems determined to continue exploring the largely undefined boundaries of his role as heir-in-waiting.

"If there has been a change in his focus," said Mr. Aviard, "it is a determination to see more of his ideas put into actual practice."

Still, some British papers cannot give up the notion that the bustle of activity is part of a tug-of-war between the prince and the princess. Charles's friends deny it, but they acknowledge that it is a no-win battle. In the popularity sweepstakes, Charles has little chance of matching Diana's star quality.

From her home in Kensington Palace, where she shares custody of their sons, Princes William and Harry, she lends her considerable personal style to campaigns on issues such as AIDS, domestic violence against women, and drug addiction.

By contrast, Charles remains, for all his visibility, a kind of policy wonk.

OVERHEARD



Martha rushed in to break Herbert of his old ways.

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STATESIDE / 'HE HAS LOST HIS GRASP'

In a Disgusted Senate, Denunciations of Packwood (Only 6 Back Him)

By Michael Wines
New York Times Service

WASHINGTON — The Senate has overwhelmingly voted to compel Senator Bob Packwood to turn over 3,000 pages of private diaries for an ethics investigation, ending with ill-concealed disgust an extraordinary political debate over the privacy rights of elected leaders.

The 94-to-6 vote on Tuesday night authorized the ethics committee to take the necessary legal steps to force the Oregon Republican to comply with a subpoena. The committee is investigating allegations that Mr. Packwood sexually harassed a number of women aides and lobbyists and then tried to suppress their testimony.

The vote followed an unusually strong denunciation by Senator Robert C. Byrd of West Virginia, the chamber's senior Democrat, who said Mr. Packwood had blackened the chamber's reputation and ought to resign.

"I believe he has lost his grasp of what it means to be a United States senator," Mr. Byrd said, adding, "It is time to have the grace to go."

Only six senators — one a Democrat — stood against the subpoena, which had been unanimously requested by the Senate Select Committee on Ethics.

The Republicans were Mr. Packwood, Alan Simpson of Wyoming, Jesse Helms of North Carolina, Arlen Specter of Pennsylvania and John C. Danforth of Missouri. The Democrat,

Dennis DeConcini of Arizona, was himself the target of an ethics inquiry this year and has said he will not seek re-election in 1994.

The Senate rejected, 77 to 23, a last-ditch proposal by Mr. Simpson for a compromise.

[The vote to enforce the ethics committee subpoena for the diaries is likely to shift the drama to federal court in Washington, where lawyers for Mr. Packwood and the Senate would continue their legal battle, the Washington Post reported.]

[The Senate has never before sought court enforcement of a subpoena against one of its members, but it has gone to court four times since the procedure was established in 1978 to force compliance with one of its orders. It has

prevailed in three of those cases, according to legal experts.]

By their votes, the senators emphatically rejected Mr. Packwood's impassioned warning that the ethics committee had mutated from court to star chamber, rummaging through his life's work not only for evidence of sexual misconduct but also for information on a more recent question: whether he improperly solicited lobbyists and other political friends to offer jobs to George Packwood two years ago when the couple were in the midst of a divorce.

Indeed, the panel's subpoena demands not just diaries from the most recent five years of Mr. Packwood's career, but also virtually every scrap of paper, tape recording or computer entry detailing his official actions during those years.

Lawmakers sided with the committee's chairman, Senator Richard H. Bryan, Democrat of Nevada, who argued that Mr. Packwood was seeking greater protection from the prying eyes of investigators than is accorded an average American being scrutinized by the criminal justice system.

That "double standard," Mr. Bryan said, would not wash with the public.

Mr. Packwood tried to peddle a last-minute compromise that would have turned the diaries over to a mediator who would have decided which passages were relevant to the ethics panel's inquiries.

But critics called it a sham, noting that it

would give the committee passages relevant to the accusations of sexual harassment and soliciting jobs for Georgie Packwood but nothing else.

Barely an hour before the end of the debate, Mr. Packwood's supporters sensed overwhelming defeat and abandoned the compromise tactic. They proposed instead that the committee be allowed to subpoena all "relevant" portions of the diaries, rather than the entire diaries, and that the decision as to what was relevant be left to the courts.

That proposal peeled away to Mr. Packwood's side one of the six members of the ethics panel, Senator Larry E. Craig, Republican of Idaho. But Mr. Bryan and the panel's vice chairman called it unacceptable.

Some veteran women of politics marveled at what had taken place, using words like "historic."

The camaraderie of the new Democratic women in the Senate was evident when Senator Barbara Boxer, Democrat of California, took the floor early Tuesday to praise Ms. Murray for bringing the Senate "back to reality." Listening to the dry arguments about Mr. Packwood's right to privacy, Ms. Boxer said, made her feel like she was in a law school class. She said the women who had accused Mr. Packwood of sexual misconduct were being kept waiting for the ethics committee to complete its inquiry.

"My own view is that the Senate's reputation is very much at stake," Senator Dianne Feinstein, Democrat of California, said in an interview. "Sometimes the debate concentrates too much on the trees and not the forest."

What Ms. Murray did in her speech on Monday night that riled some of her colleagues and rallied others was to turn the debate toward the troubling public perception that members of Congress will unite to protect one of their own. If the Senate had supported Mr. Packwood, she contended, it would have sent a clear message to every woman in America: "If you are harassed, keep quiet, say nothing; the cards are stacked against your ever winning."

A Freshman Senator's Voice Is Heard, and Counts, on Sexual Harassment

By Kevin Merida
Washington Post Service

WASHINGTON — The congratulatory calls started pouring into the office of Senator Patty Murray, Democrat of Washington, and the freshman legislator was gratified. "People are saying thank you," she said, "thank you for sticking with women."

In an impassioned floor speech, Senator Murray had tried to refocus the legislative debate over the subpoena for the personal diaries of Senator Bob Packwood, Republican of Oregon, and force the Senate to explore its treatment of women who complain of sexual harassment.

Her challenge to the institution — not to "abdicate our responsibility to police ourselves" — created a stir in the Senate as colleagues tried to defend her, denounce her or stay away from her.

In one rebuke of Ms. Murray, which took on added significance coming from the senior woman in the Senate, Senator Nancy Landon Kassebaum, Republican of Kansas, said she was disturbed by some of her statements and proceeded to read Ms. Murray's remarks from the Congressional Record.

"I think it is very important for us not to send a message out on and beyond the Senate chamber that this is somehow, a reflection of whether

we support or do not support sexual misconduct," Ms. Kassebaum said.

In the end, Ms. Kassebaum and Ms. Murray ended up on the same side — both voting to force Mr. Packwood to divulge further pages from his diaries.

That Ms. Murray's voice was heard — and it counted — is a measure of how far the Senate has come since 1991, the last time there was a major congressional controversy over allegations of sexual misconduct. In that episode, the Senate, following the recommendation of its all-male Judiciary Committee, voted to disown the sexual harassment claims of Anita F.

Hill, a law professor, and confirm Clarence Thomas to the Supreme Court.

But that was before the 1992 elections tripled the population of female senators from two to six. A seventh, Kay Bailey Hutchison, Republican of Texas, arrived this year via special election. None of the female lawmakers voted with Mr. Packwood on Tuesday — though the experience left some drained.

Ms. Hutchison, for one, noted that it was "difficult being a woman" during the debate as the issues of sexual harassment intersected with the rights of a male colleague. "I am very concerned that we apply the laws of the land to the United States Senate," she said.

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★ POLITICAL NOTES ★

A Widening Conflict-of-Interest Web

WASHINGTON — Government regulators who hired Webster Hubbell, the associate attorney general, to press a savings and loan case in 1989 now say they did not know that his law firm had a long-standing relationship with the thrift that could have constituted a conflict.

The thrift, Madison Guaranty Savings and Loan, failed in 1989, costing taxpayers about \$47 million. In an effort to recoup some of that money, the Federal Deposit Insurance Corp. hired the influential Rose law firm of Little Rock, Arkansas, to sue the S&L's accountants, paying it \$400,000 in fees and expenses.

Through a Justice Department spokesman, Mr. Hubbell said he had told the deposit insurance agency that lawyers at his firm, including Hillary Rodham Clinton, then a senior partner, had represented Madison in the mid-1980s.

Agency officials said their attorneys had no documents and "no recollection" that Mr. Hubbell had told them of that work.

According to agency records, however, Vincent W. Foster Jr., who was a Rose partner before joining the Clinton White House general counsel's office, had written the agency earlier in 1989 soliciting work for his firm.

"The firm does not represent any savings and loan association in state or federal regulatory matters," Mr. Foster wrote, omitting to use the past tense.

Conflict-of-interest rules generally bar lawyers from representing the government in S&L cases if they have done significant work for the thrift.

The Rose firm represented Madison before state regulators when the thrift was seeking new ways to raise capital in the mid-1980s.

Federal regulators have asked the U.S. attorney in Little Rock to investigate Madison and its former owner, James B. McDougal, a longtime friend of the Clintons' and partner in a real estate development firm called Whitewater Development Corp. The Washington Post reported Tuesday that prosecutors have also been asked to look into Whitewater's land dealings.

(WP)

From Clinton, \$2 Billion More in New Cuts

WASHINGTON — President Bill Clinton has proposed \$2 billion more in spending cuts for military construction, energy programs and highway and water projects, a week after recommending \$9 billion in other savings through changes in the government's procurement process.

By submitting a combined package of \$11 billion in rescissions and savings recommended by the National Performance Review task force, Mr. Clinton kept his promise for another round of budget cuts.

It came in response to criticism from moderate and conservative House Democrats that Mr. Clinton's \$496 billion, five-year economic package approved in August didn't go far enough in reducing government spending.

"My administration is committed to working closely with the Congress to produce legislation that will achieve this level of savings," Mr. Clinton said in a letter to Congress transmitting the spending cut proposals.

Quote / Unquote

Robert C. Byrd of West Virginia, the senior Democrat in the Senate, during the debate on whether to require Senator Bob Packwood, Republican of Oregon, to give his private diaries to the ethics committee: "I believe he has lost his grasp of what it means to be a United States senator. It is time to have the grace to go." (NYT)

Away From Politics

Expressing outrage over a survey of priests and nuns by the Los Angeles Times, the Archbishop of Los Angeles, Cardinal Roger M. Mahony, accused the newspaper of planning to join in "the American media's favorite pastime — Catholic bashing." The nationwide poll was defended by the paper as "well reasoned and fair."

Air quality fails to meet federal standards in 72 metropolitan areas where nearly 54 million people live, the Environmental Protection Agency said in an annual report. But several urban centers, with a population of 32 million, met federal standards for the first time in 1992. They included Detroit, Pittsburgh and Seattle-Tacoma.

Sheik Omar Abdel Rahman has been put in a specially designed cell in New York City with a shower and conference room. The Egyptian cleric, who had been held in an upstate prison, is awaiting trial in connection with a bomb plot against New York landmarks. He is blind, diabetic and has difficulty walking. His new, two-room cell has been designed to meet his needs.

An man cleared of arson and murder charges in a hotel fire that killed three people said he had been "delivered from the gates of hell." New evidence supported William Mohr's alibi that he was home with his wife the night of the 1992 fire in Napoleon, Ohio.

Flavor Flav, a rap musician charged with firing a gun at a neighbor, is expected to check into a drug rehabilitation program, the New York district attorney's office said. The 34-year-old musician, whose real name is William Drayton, was being held on charges of attempted murder and gun possession. Bail was set at \$15,000.

LAT, AP, NYT

Herald Tribune

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THE EUROPEAN
THE WEEKLY NEWSPAPER FOR EUROPE

JPL/11/25/93

THURSDAY, NOVEMBER 4, 1993

OPINION

International Herald Tribune

Published With The New York Times and The Washington Post

A Brighter Path for Peru

Quite suddenly, one of the cruel and seemingly unending calamities of late 20th century Third World politics is being reduced to treatable dimensions. The Maoist Shining Path guerrilla movement, which cost Peru upward of 25,000 lives and \$20 billion, has been hit by community resistance, by government attack and by the capture of its founder-leader and now by his reported abandonment in prison of armed struggle. Shining Path's duplicity, along with a continuation of terrorism by some schismatics, makes it premature to declare the movement's end. But it becomes possible to hope that Shining Path, which became known as much for its attacks on the reformist left as on the oligarchic right, can no longer intimidate a nation.

Not that Peru can now march smugly into the future with its fellow Latin Americans. Shining Path was not the cause of the country's fall into despair; but a vivid symptom. The causes are cultural and historical, and they retain terrible potency.

The significance of Shining Path's apparent fading lies in the removal of a major distraction from a strong national focus on economic growth and social justice. In short, President Alberto Fujimori has lost a major alibi for his authoritarian tendencies.

—THE WASHINGTON POST.

Slow Down the Arms Trade**Don't Subsidize Exports**

As the Pentagon's demand for new weapons declines, America's arms makers, hard pressed to make a buck, or a billion, are trying harder to market their wares abroad. But the global arms market is contracting. Now the arms makers have come up with a new scheme to stimulate foreign demand at U.S. taxpayers' expense: get Congress to put up \$1 billion in government loan guarantees, a subsidy to foreigners who buy on credit.

The Pentagon itself rejects the idea, but that has not stopped the Senate from backing it. House-Senate conferees now consider the 1994 defense authorization bill should head the Pentagon and kill the loan guarantee program.

The United States already has an 86 percent share of arms deliveries to NATO allies and other countries covered by the program, most of whom do not need to buy on credit.

—THE NEW YORK TIMES.

Arms Control Is Crucial

With the cuts in defense spending, American arms producers have been lobbying Congress fiercely for more exports to other countries. In response, the Senate would provide more government aid to promote exports. The House opposes that. The decision will come in the conference on the defense authorization bill.

The scale of American arms exports needs to be reduced, not increased. Government support for arms exports, in grants and loans, already runs at about \$4 billion a year. That has made the United States by far the world's largest exporter of weapons. Some of those exports have served important purposes, but others have turned out spectacularly badly. It is never easy to guess which countries will be stable long-term allies deserving help. Iran and Iraq are Exhibits A and B.

The quarrel began with the money in this year's defense authorization bill to help the arms industry convert to civilian production. Some of the defense contractors began pressuring Congress to divert part of that money to loan guarantees for additional arms exports. Instead of going through the painful and expensive process of converting plants, they

—THE WASHINGTON POST.

Other Comment**Meanwhile, Haitians Suffer**

The Reverend Jean-Bertrand Aristide's statement that he won't attempt to return to Haiti while Lieutenant General Raoul Cedras remains in power avoids a confrontation in which the United States might be pressured to intervene militarily.

But the deposed president's having to take such a position was a decided victory for General Cedras and his followers. How lasting a success General Cedras enjoys, however, will depend on how much more international support Father Aristide can muster.

The president has called for a total trade embargo on his impoverished country, already being blockaded by U.S. vessels to prevent the delivery of gasoline and other products.

It is a curse that his suffering people do not welcome. But stronger economic measures are needed to generate sufficient pressure on General Cedras. For one thing, a total embargo would force the neighboring Dominican Republic to halt the shipment of goods across its border with Haiti, a line of supply that has been used to circumvent the naval blockade of Haitian ports.

Both embargoes and blockades are slow and indirect. The effects must be felt by the handful of wealthy families that dominate the Haitian economy before they are made brazen enough to confront General Cedras. And before that point is reached, countless thousands of Haitians would first have to lose their jobs.

—La Stampa (Turin).

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Winter Death for Bosnia, With the West Looking On

By Jim Hoagland

WASHINGTON — Bosnia's Serbs are ready to let cold and starvation finish their conquest of the Bosnian heartland, and the international community is ready to let that happen. Instead of concentration camps and mass rape, the Serbs will use the advancing Balkan winter and the Muslim serenity depleted food stocks as their weapons of ethnic cleansing in the second year of the war.

That way the Serbs reduce the risk of outside military intervention to help the Bosnians. Without a single easily identifiable villain using odious tactics, international public opinion may not re-engage in the Bosnian tragedy.

Serbian shells still fall on Sarajevo. New fighting and massacres will punctuate the winter. But Serbian warlords appear intent on consolidating the territorial gains they have already made and getting United Nations sanctions eased instead of launching a costly winter offensive to capture Sarajevo, according to European intelligence reports.

The Bosnian government of President Alija Izetbegovic prefers to endure this slow strangulation than accept the humiliating surrender proposed by international negotiators at the end of summer. A daily ration of 300 grams of food, or about half the minimum requirement for survival, is stockpiled for each Bosnian citizen. The government clings to a for-

lorn hope of American intervention, not realizing or not accepting that Bloody Sunday in Somalia finally closed off that option.

The bitter endgame of attrition is more than a human tragedy. It casts a long shadow across the ability of America and its European allies to cooperate on security challenges.

In the end, the European view of Bosnia has prevailed. The French, British and others treated Bosnia as an insoluble problem in which outsiders could do no more than comfort the wounded and feed the starving. They put troops on the ground in Bosnia to try to contain a conflict that they did not have the means or the will to resolve. There is an element of a self-fulfilling prophecy in the European attitude; but the Bosnians can count on the European troops to be there to administer the last rites when the end comes.

The Clinton administration could not initially accept that Bosnia was unfatigable. Nor could it surrender the moral high ground that candidate Bill Clinton had seized from the Bush administration in 1992. Mr. Clinton sketched a plan for intervention; but he was then unwilling to take the high-risk steps that would have been necessary to bring it about.

Bosnia is a peculiar twist on the familiar story of European pessimism colliding with naive American idealism. This time cynicism about human nature propelled the Europeans into action to minimize suffering while the Yankee optimists became involved bystanders.

Senior French officials and other Europeans believe that Serbian leaders have captured all the territory in Bosnia that they want. The Serbs will now let the elements and food shortages deliver the coup de grace to Mr. Izetbegovic's divided forces. The Serbs do not want to provoke the air strikes threatened by NATO as a result of Mr. Clinton's prodding. Nor are they likely to launch military operations into Kosovo or Macedonia, senior European officials now believe.

This scenario, if it is accurate, means that ex-Yugoslavia will not be a topic for urgent argument or action at the January NATO summit in Brussels. Bosnia will produce neither a rallying round the NATO flag nor a prolonged dispute.

But Europe and America should go to that meeting chastened by the organization's inability to help preserve the territorial integrity of Bosnia, a fully recognized member of the United Nations and of European governmental organizations.

Bosnia has demonstrated that American

and European security interests no longer coincide as fully as they did during the Cold War, European officials argue. France is pushing for acceptance of a variable geometry arrangement within NATO that would permit coalitions of the alliance's European members to intervene in Bosnia-type situations and draw on NATO resources even if the United States does not join the action.

Past administrations would have automatically rejected such "tampering" with NATO. But the Clinton administration, stung by Bosnia and ready to let the Europeans take on a greater share of the defense burden, has said it is willing to discuss making NATO forces "separable but not separate," in the new slogan that is being tried out as a concept for the January summit.

Changes to NATO will come too late to do the Bosnians any good. Their nation has been marked for a slow, quiet death beneath the Balkan snow instead of the fiery Götterdämmerung that seemed to threaten a few months ago. The international community is not prepared to change the situation. But it can at least ease the suffering by pouring food and medicine into Bosnia while it stands — and by not averting its gaze from what is about to happen there.

The Washington Post

Now Let's Build an Asia-Pacific Economy Community

THE ASIA-Pacific region is the most dynamic component of the world. It has achieved faster growth than any other region for the past 30 years. Its share of world output and trade has risen steadily. It seems likely to continue at the forefront of world economic progress in the decades ahead.

At the same time, the Asia-Pacific has been the only major region of the world that has not developed region-wide, or even Asia-wide, intergovernmental institutions — in either the economic or security dimensions — to foster and facilitate its progress.

Europe set up the European Community and the Western European Union. The Atlantic has the North Atlantic Treaty Organization and the Organization for Economic Cooperation and Development. The Western Hemisphere has the Organization of American States and the Rio Treaty. and now plans to add a North American Free Trade Agreement that could extend throughout the hemisphere.

Pressures for new trade barriers that have been built up by the prolonged negotiations would emerge. Issues that had been included on the GATT agenda would be reassigned for bilateral or even unilateral resolution. Although the existing GATT rules and institutions would remain in place, such a failure would sharply reduce the credibility and effectiveness of the global trading system. Protectionism everywhere would be encouraged.

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Nuts to a 'War of Civilizations'

WASHINGTON — In the one-eyed man is king. Such is foreign policy Washington under the Clinton administration. The president knows that his test is to succeed with his domestic agenda. International politics do not greatly interest him.

He has turned to his government's principal foreign policy posts individuals who are experts without being conceptualizers. In the policy confusion that has followed, anyone with a big theory is listened to. People in and out of government want to be told the significance of things.

Thus, Professor Samuel Huntington of Harvard's well-timed essay, "The Clash of Civilizations?" (in the summer issue of *Foreign Affairs*), is widely cited in Washington as the new "X" article — reference, of course, to the brilliant 1947 *Foreign Affairs* essay by George Kennan that provided the American government with the rationale for its policy of containment of Soviet communism.

Mr. Huntington's prophetic record is not as good as it might be. He produced an essay for the Tri-lateral Commission in the early 1980s that argued that Western democracy was in grave danger from communism because of its failure of morale and will. We know what actually happened.

His thesis today is that national and ideological conflicts are being replaced by conflict between civilizations. "The next world war, if there is one," he says, "will be a war between civilizations." Implicit in his discussion is that this war, if it comes, will be between Islamic civilization and the West, or between a "Confucian" Asian civilization and the West. (He believes that Japan cannot dominate East Asia but that China can.)

Mr. Huntington says that the wars of kings were replaced in the 18th and 19th centuries by the wars of nations, then by the wars of ideologies, and that now it is time for the wars of civilizations. Much that he says is interesting.

Some of it is true. The great civilizations are cultural and moral rivals. Members of these civilizations have fought in the past, although chiefly for religious rea-

sons. There are issues of conflict between Islamic and Asian states and the West today.

However, his claim that we have begun to make war between civilizations rests on the fact that Arabs and the West have struggled over Israel and oil, that Yugoslavia at war lies on the "fault line" dividing the Orthodox from Catholics, and both of them from Muslims, and that economic rivalry is rising between Asian nations and the West.

The Arab-Western conflict is mostly one of tangible political and economic issues: Israel's implantation in what formerly was Arab territory, and the control and exploitation of oil. It is true that Islamic fundamentalists preach opposition to Western civilization as such, but Islamic fundamentalists are not Islam. The main front in their battle is with other Muslims, in Algeria and Egypt today.

The Gulf War was fought by Muslims and the major Western powers, but began with the invasion of one Islamic country by another and saw two of the principal Islamic powers, Egypt and Morocco, on the side of the West.

Anyone who thinks that the struggle in Bosnia is between Islamic and Christian civilizations displays how little he knows of Bosnia. Bosnia's Muslim society was integrally European, and the Bosnian government today still is the only one in ex-Yugoslavia that defends a pluralist, liberal and "Western" idea of society.

I have not the space to make detailed criticism of Mr. Huntington's argument. I will simply say that to translate the obvious differences and moral rivalries of civilizations into a foreign and strategic policy issue is a terrible error.

If tangible conflicts of economic interest (as over oil) or trade, or territorial and political conflicts (as over Israel), or ethnic national conflict (as in the ex-Yugoslavia and the former Soviet Union) are interpreted as collisions of civilizations, they are thereby transferred from the realm of the negotiable and solvable into that of perpetual and irresolvable conflict.

I do not think that Mr. Hunting-

ton really understands what he has done. He has provided the rationale for something like racial war. Adherence to a civilization, like membership in a race, is unnegotiable and uncompromisable. It is chosen and inescapable. If our future indeed is a war between civilizations, then it is a future of perpetual and unendable war, or at least of wars endurable only by extermination — which was Hitler's conception of his war against the Jews.

This is a desperate view of history, and expression of a total and irresponsible fatalism. It is morally as well as politically catastrophic in its implications.

It is also simply untrue. The potential as well as actual conflicts in the world today have to do with money, commerce, territory, and political and economic interest. They all can be dealt with through conventional political, economic or military measures. They have solutions. A conflict of civilizations has no solution.

The practical effect of Mr. Huntington's argument is to rationalize vulgar stereotypes of entire peoples and to license apocalyptic thinking of the kind that already in this century has given us a world war and the Cold War. That this should be taken seriously in Washington is deeply dismaying.

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Of Writers and Rewards: As They Lay Dying ...

By Julia Wright

PARIS — As the daughter of the author Richard Wright, I would like to join the debate about Edwin M. Yoder Jr. sparked around the awarding of the Nobel Prize in Literature to Toni Morrison ("An Eccentric Selection From the Nobel Folio," Oct. 13). Mr. Yoder, "politically correct" or not, put his finger on a sensitive spot — the subtle and less subtle ways in which our great men and women have been rewarded, or not, for their works in this century.

The Nobel Prize, by its own terms, has to be awarded during a writer's lifetime; it carries a reward quantifiable in dollars and cents. I can't help suspecting that Jean-Paul Sartre's notorious rejection of the prize was less a refusal of the money than a criticism of the existentialist historical vision he felt it implied. For the slow, halting recognition given by history has a patina of its own, asserting its posthumous wisdom when the sound and fury of political storms and factionalism have long died down.

The poignant way Van Gogh and Mozart died, subsequently enriching the world not only with their genius but with the awareness of the cruel price they had paid for it, has grown into a modern myth, perhaps reflecting our age-old ambivalence toward the greatness of artists, writers and musicians in their lifetimes. There is a time for everything: portraits of the artist as a young man and portraits of the artist as a dead man.

name both in Mr. Yoder's column and in the letters it provoked is an award in itself. But I can't help wondering: What would prize-less but priceless writers like Gertrude Stein, James Joyce, Richard Wright or James Baldwin have said if they had been given the choice between contemporary Nobelization and posthumous recognition? Can I almost hear outbreaks of surrealistic graveyard humor from those four, wherever they are now. We can only imagine what their choices might have been.

But a fact is a fact: In 1960, Richard Wright had had definite echoes of his Nobel nomination — and then died unexpectedly, only weeks after Saint-John Perse was announced as that year's laureate. In an interesting parallel, James Baldwin (I knew him as Jimmy) was shortlisted in 1987 for the prestigious Prix

Femina Stranger in France — as he lay terminally ill, and was known to be so, at least in the Paris literary circles I was in touch with. Jimmy Baldwin died within days of learning that he had, yet again not been chosen. He had already been bypassed for the National Book Award and the Pulitzer.

What are we to make of all this? Nothing, or everything, depending on whether we accord more importance to the fiery and fragile judgment of men or to the slow, sober verdict of history.

At the risk of seeming predictably predictable, I see Richard Wright and Jimmy Baldwin as wounded giants who were arguably the first to cut their way into the dangerous jungle of "the enemy's language," uprooting the taboo of silence around "how it really feels to be black" and asserting the creative terrain that they thereby gained as "a language within a language," to borrow the terminology which the French philosopher Gilles Deleuze used recently about Franz Kafka.

This is not to deny that Richard Wright and Jimmy Baldwin had their differences, though my own perception of their so-called literary feud is that it was blown out of all proportion. And I still see them as having cleared an alien and tangled forest of the words-not-to-say-it, as having created a spacious area in which writers of Toni Morrison's splendid giftlessness could gyrate freely and gracefully. In turn, Toni Morrison will enlarge that

clearing for her literary sons and daughters to dance in and salute her — perhaps even to surpass her.

However, where history connects, prizes may divide. And it is true that the wounds sustained by Richard Wright and Jimmy Baldwin in this invisible war of theirs have gone unmended on the Nobel front. But these two men were very real veterans, for they wrote against a double historical grain: first, the near impenetrable pre-civil rights language of Jim Crow ethics, and second, the dominant obsessions and strictures of the Cold War.

As Natalee Robins asks in her recent penetrating analysis of the FBI dossiers that were amassed around a galaxy of this century's greatest American writers: Can the damage to their creativity ever be traced, assessed, quantified? Can it, I would add, ever be recognized and repaired? This question is central to our historical assessment of the noble (rather than Nobel) stamina of Richard Wright, Jimmy Baldwin and others. Will we ever know what hidden springs of artistry dried up when their privacy, so necessary to creativity, was being monitored and trespassed upon?

I, for one, having lived in my father's house and valued Jimmy Baldwin's friendship, know that these literary veterans were too seldom offered laurels to rest upon during the then-less, thankless era of our mid-century segregation and glaciation.

International Herald Tribune.

LETTERS TO THE EDITOR

Abroad and Left Out

Regarding the report "Clinton Ships Health Plan Into Certain Legislative Storm" (Oct. 28):

President Bill Clinton says that he wants a bill "that will actually guarantee health security to every citizen of this great country."

"Every citizen?" What about American citizens abroad?

The first signs are not encouraging. It seems that the Clinton health guru, Ira Magaziner, without consulting the American community abroad, has closed and bolted the door to its participation.

It looks as if strong and united efforts from Americans abroad will be needed if this is to be reversed. Otherwise we will again find ourselves paying taxes — and probably higher taxes — for something we are blocked from participating in.

FRANCIS M. S. PEEL,
Geneva

Administrated Health

I think no one has so succinctly described the situation regarding President Bill Clinton's proposed health care system as the doctor who said, "I am not for change if it shifts dollars from those who provide health care into the pockets of those who regulate care."

SAMI-VICTOR ELIAS,
Orsay, France

A Republican Future

A Republican clean sweep in New York, New Jersey and Virginia. What a blow to the Clinton-Strauss administration! If Bill and Barbara can just stay in place for a couple of years, every town, city and state in America will be Republican-led. Then we voters can start to work on Congress, which clearly has not gotten the message about America's concern for jobs and international trade.

Sooner or later we the people are going to replace these time wasters and big spenders with citizens concerned with protecting the nation's prestige and power and its citizens' safety and economic well-being.

JAMES R. FEES,
Geneva

Turkey's Sacrifices

Regarding "How's a War to Travel?" (Opinion, Oct. 29) by William Safire:

Mr. Safire shows how little he understands Turkey's current policies and its sacrifices regarding Operation Desert Storm.

Our sacrifices include not only billions of dollars in losses and an estrangement from the Arab world, but, most gravely, a big increase in attacks against Turkey from northern Iraq, which has turned into a haven for Kurdish terrorists — thanks to Operation Provide Comfort, led by our great American ally.

It is worth reminding Mr. Safire that the United States did not hesitate to make the Arabs, Germany and Japan pay its Desert Storm-related expenses almost before the war had ended. So much for the ally whose cooperation and leadership are not for sale!

MUHITTIN KARA,
Brussels

Mr. Safire is correct in his analysis of the character of Turkey's alliance with the United States. But he is wrong to assert that Turkey's new prime minister, Tansu Ciller, by helping Iraqi Kurds achieve "pro-

perous autonomy," will encourage Kurds in Turkey to become "loyal Kurdish Turks."

The Kurdish people, wherever they are, dream of an independent United Kurdistan and can be loyal Kurds only to their own country.

HAIK ARSLANIAN,
Antwerp, Belgium

Yeltsin the Imperfect

Regarding "Yeltsin Was Supposed to Build Democratic Consensus" (Opinion, Oct. 13):

Stephen F. Cohen selectively rearranges the context of Boris Yeltsin's recent actions and claims that he could and should have done this and that. But the fact remains that the Russian parliament was the main roadblock to serious democratic and market reforms — as Western governments have acknowledged again and again. They surely have enough information on which to base their support.

Mr. Yeltsin is no democrat in the sense that we understand the term. His team must be watched carefully. But it was Mikhail Gorbachev — already a historic figure in Mr. Cohen's romantic mythology — who packed parliament with reactionary forces in the first place. Let us see if Mr. Cohen remembers that as he waxes enthusiastic, next about Mr. Gorbachev's possible run for the Russian presidency.

JURIS MAZUTIS,
Nepean, Ontario

Pornography's Role

Regarding "The Professor Declares War on Free Speech" (Opinion, Oct. 28):

George F. Will claims that "women's status tends to be lower where, as in Islamic nations, pornography is suppressed." I am sure that many women will be surprised to learn that, according to Mr. Will, pornography somehow heightens their status in society.

The fact that pornography is suppressed in Islamic countries, where the status of women is low, is merely a coincidence. Granted, pornography is not the sole cause of violence against women, but it is unquestionably a large factor.

Our culture continues to depict and treat women as male subordinates — a tradition now being defended in the name of free speech. The underlying struggle is still one for equal rights and dignity.

PETER HERBERT,
Villeurbanne, France

What Does It All Mean?

Regarding "Waiting for Meaning in a Post-Cold War World" (Opinion, Oct. 31):

Richard Cohen seems to be a lost soul now that the Cold War has ended and there is no neat packet of villains and no Ronald Reagan to give structure or meaning to the news. Poor dear.

MARK CHERNACK,
Dhaka, Bangladesh

Harpoons at 20 Paces

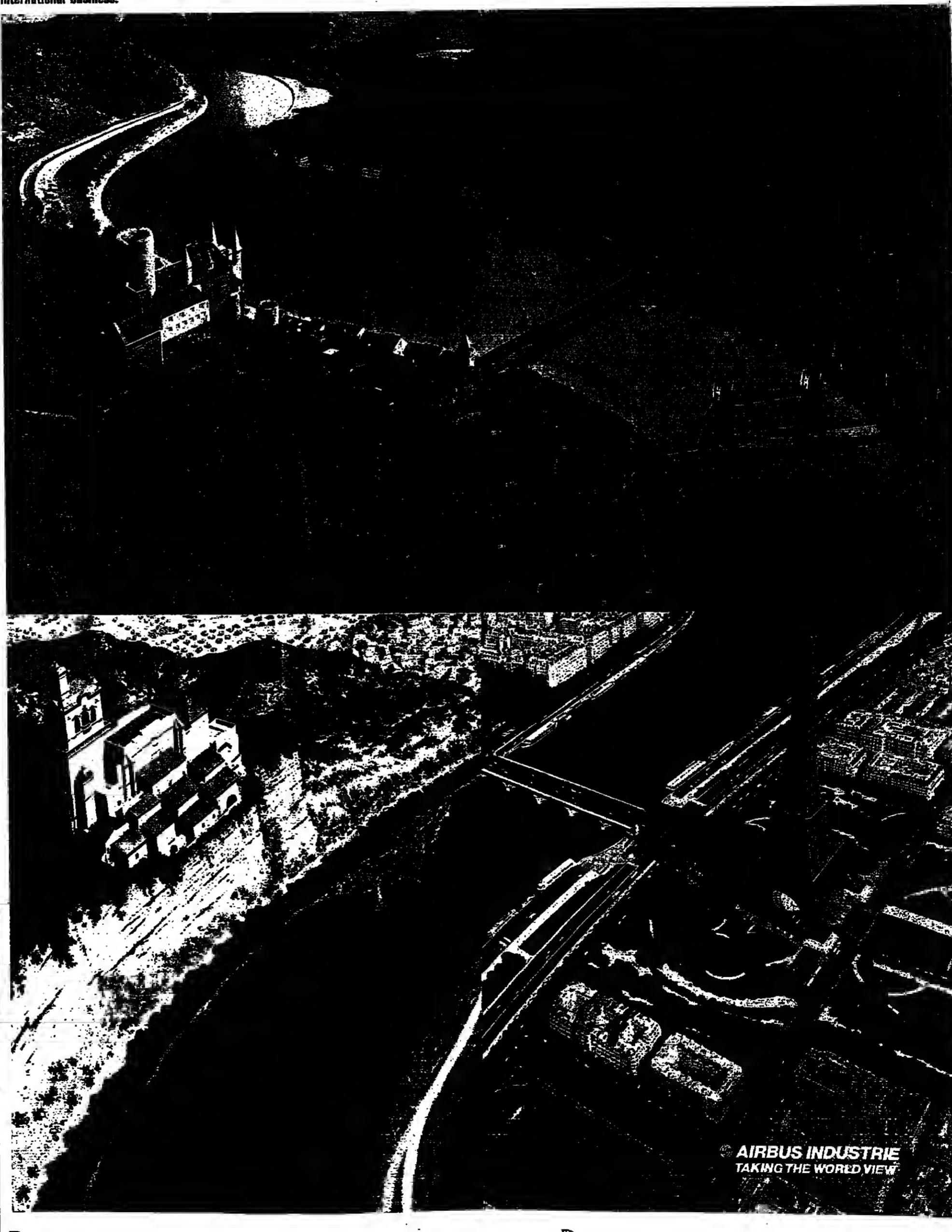
Regarding "A European Topic Item" (Oct. 21):

Has anyone considered arming the minke whales so they can hunt Norwegians? It would be interesting to learn how the average killing time for Norwegians would compare to the average for whales.

JOSH GIBSON,
Paris

Together we lead the world in aviation technology.

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JPL/col/SD

Fearing Reprisal, Tokyo and Seoul Urge Delay on North

By David E. Sanger
New York Times Service

SEOUL — Japan and South Korea, America's two most important allies in Asia, have urged Defense Secretary Les Aspin to avoid imposing sanctions against North Korea as long as possible, saying that action to force it to open its nuclear sites to inspection could lead to terrorism campaigns or military attack if the North's secretive government felt cornered.

But at the same time, officials in the two countries told Mr. Aspin that they would have no choice but to proceed with United Nations-imposed sanctions if the International Atomic Energy Agency declared that it could no longer verify that nuclear material was not being diverted to a weapons project.

The Pentagon had expected the director of the agency, Hans Blix, to make such a statement at the United Nations on Monday, but he stopped just short of such a declaration.

Mr. Aspin is in Seoul on a four-day trip to reassess the Clinton administration's strategy for dealing with

the North Korean nuclear threat. Senior military officials traveling with him say the allies' reluctance to back up some strongly worded warnings to North Korea with action — a reluctance that many in Washington share — has left the Clinton administration with another major foreign policy problem with few good options.

North Korea is the test case, they said, of the administration's commitment to its so-called "counterproliferation" strategy of preventing regional powers from developing nuclear weapons.

But a top military officer on the trip said Wednesday night that the challenge posed by the North's continued refusal to allow international inspection "is in many ways much tougher and more dangerous than Somalia and Bosnia."

"Our interests are much greater in Asia," the official said, and there is the possibility of "huge casualties if we make a mistake." The United States has about 80,000 troops stationed in South Korea and Japan.

Mr. Aspin's trip comes amid new signals from

North Korea that it was not yet prepared to give in on two U.S. conditions for further talks between Washington and Pyongyang: that North Korea allow the energy agency to conduct its normal inspections, and that it talk with South Korea about carrying out a 1991 agreement that permit North and South to inspect one another's military sites.

On Monday, the North let slip by a loose deadline set by Mr. Blix to let agency inspectors replace film and batteries in failing monitoring devices at Yongbyon, the heavily guarded nuclear complex 100 kilometers (60 miles) north of Pyongyang.

But because Mr. Blix has not yet declared that the "continuity" of inspections had failed — even though many American experts believe it has — North Korea could still meet the continuity requirement by allowing in inspectors in the next week or two.

On Wednesday, however, the North abruptly canceled talks scheduled for Thursday with South Korea. "I think this is something that the North has been planning for some time," said Kwon Young Hae, the

South Korean defense minister, who is among the more hawkish members of the Seoul government in dealing with the nuclear problem.

The cautions from Japanese and South Korean officials came as Mr. Aspin conceded that United Nations-imposed sanctions might not work. "There are a lot of questions in connection with sanctions — are they appropriate, would they work, would they have the desired outcome?" he said Wednesday just before he departed from Tokyo for Seoul.

But he repeated several warnings to the North, and said that President Bill Clinton's declaration in July that a North Korean attack on the South "would be the end of their country" is still in effect.

At the core of the argument over economic sanctions is the question of whether one can effectively isolate the world's most isolated country. Many officials also believe that China, the last nation that appears to hold some sway over the government of the 81-year-old Kim Il Sung, would not enforce any sanctions and permit food and fuel to continue to be traded across its border with the North.

An Apology to the Empress

The Associated Press

TOKYO — A magazine under fire for publishing a series of articles critical of Empress Michiko has apologized to the imperial Palace, officials said Wednesday.

According to the palace, the Shukan Bunshun, Japan's most widely read weekly, has also promised to publish a formal apology in its next issue.

The magazine has informed us that they have earnestly taken our position into account and will apologize for expressions that might have invited misunderstanding," the palace said in a statement.

Empress Michiko, who over the last three months had been the target of press criticism, collapsed on her 59th birthday two weeks ago. She remains unable to speak but is otherwise healthy.

On the day before she fell ill, the empress issued an extremely rare statement saying that false reports about her had caused her "deep sadness and bewilderment."

Bonn Vows Fast Action In Attack on American

Reuters

BONN — The German government called Wednesday for fast legal action against racists for an assault on U.S. athletes, but the athlete at the center of the dispute said he blamed only the skinheads, not the whole country.

The government spokesman, Dieter Vogel, said Chancellor Helmut Kohl hoped Germany's reputation for welcoming visiting sports people would not be undone by "a few crazy fanatics."

He said the government expected justice authorities in the eastern state of Thuringen to prosecute the attackers rapidly.

But Duncan Kennedy, the U.S. tobogganer beaten up in the Eastern German winter sports resort of Oberhof over the weekend, said he did not blame Germans at large.

A white, he was assaulted by about 15 skinheads at a disco-queue after intervening to keep them away from a black teammate whom they were taunting.

Mr. Kennedy, who had been training in Oberhof with the rest of the U.S. luge team for the Winter Olympics, told German radio that Germans had told him how sorry they were.

Severo Ochoa, 88, Dies; RNA Work Won a Nobel

New York Times Service

Severo Ochoa, 88, a biochemist who won a Nobel Prize for his discovery of an enzyme that can synthesize RNA, a nucleic acid that is a vital part of the genetic machinery of living cells, died of pneumonia Monday in Madrid.

Arthur Kornberg shared the Nobel Prize in Physiology or Medicine in 1959 with Dr. Ochoa and worked as a postdoctoral student in his laboratory. He said Dr. Ochoa was "a fine teacher, a person of great enthusiasm and optimism."

Two characteristics earned Dr. Ochoa the esteem of his colleagues and scientific honors. One was his unlimited enthusiasm for dealing with recalcitrant problems in the life sciences. The other was a subtle and lucid mind that enabled him to grasp and comprehend the complexities of basic biochemistry.

"Ochoa's attitude toward science is exemplary," an admiring associate, Francisco Grande, wrote. "For him, science is primarily an intellectual adventure — the search of truth for its sake, an endeavor to a better understanding of the practical advantages which may be derived."

The same associate also paid tribute to the Spanish-born scientist's "modesty, the warmth of his heart and his innate kindness. And indeed, Dr. Ochoa, for all his immersion in pure research, was wholly aware of the world around him. He considered himself a liberal in politics and as an opponent of nuclear testing. He also made no secret of his sympathy with the former Republican government in Spain and his support of social pluralism. He considered an open society vital to science."

The discovery for which he received the Nobel Prize in 1959 was made in 1955. It was a bacterial enzyme, or biological catalyst, that can synthesize in the test tube the vital life substance named ribonucleic acid, or RNA, from its chemical units. He shared the prize with Dr. Kornberg, who was cited for discovering a different bacterial enzyme with the ability to synthesize another vital life chemical — deoxyribonucleic acid, or DNA.

John Gilbert Winant Jr., 71, prominent POW in 1942-45

PRINCETON, New Jersey (NYT) — John Gilbert Winant Jr., 71, who was captured by the Germans during World War II while his father was the U.S. ambassador to Britain, died Sunday after a long illness.

Mr. Winant was attending

Talks Collapse on Ending Kashmir Shrine Siege

Agence France-Presse

SRINAGAR, India — An agreement to end the Indian Army's siege of the mosque where Kashmiri Muslim militants have been holed up for 19 days collapsed Wednesday, the chief government negotiator said.

"I am deeply disappointed," said Wajahat Habibullah, a high Kashmiri official who has headed the talks with the rebels.

Mr. Habibullah said he held four rounds of talks Wednesday with the representatives of 50 armed Kashmiri separatists who were inside the Hazratbal mosque on the banks of Srinagar's Dal Lake.

The militants, he said, would be separated from the others.

The law will take its course,"

Mr. Habibullah said, and those rebels who do not already face charges of serious crimes are expected to be let off on bail as part of the agreement.

somewhere went wrong." He declined to reveal what had blocked a peaceful settlement to the standoff.

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Mr. Habibullah said, and those rebels who do not already face charges of serious crimes are expected to be let off on bail as part of the agreement.

There was hectic activity around the shrine amid expectations the drama was drawing to a close.

Teams from the Border Security Force accompanied by masked informants were sent to the mosque to help identify the people leaving the shrine.

Muslim clerics were brought to the mosque to inspect a relic — a whisker believed to come from the beard of the Prophet Mohammed — to ensure it had not been defiled.

They were sent home after nightfall.

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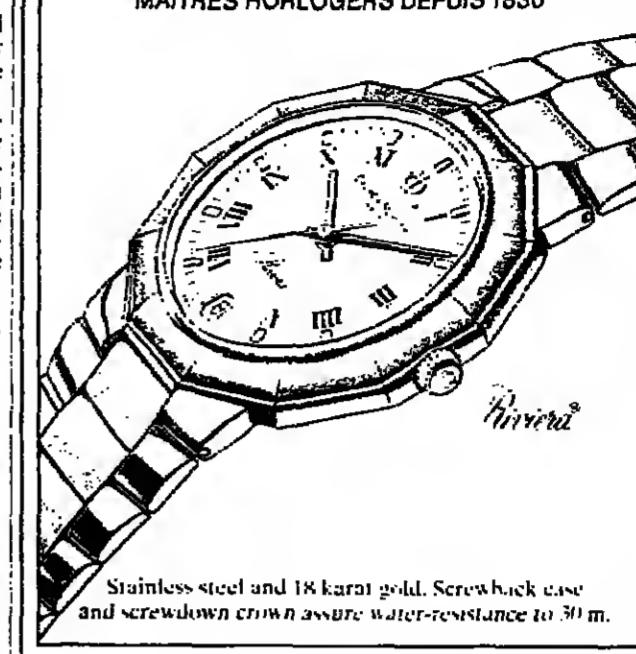
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4-11-93

Fresh Fires Destroy 200 Homes in the Malibu Area

Compiled by Our Staff From Dispatches

MALIBU, California — Facing a tamer wind, though water and fire retardant on Wednesday, stemmimg an onslaught that had destroyed 200 canyon ranches and seaside mansions.

"Our belief is the worst is over, that we're going to stop virtually on this line here," the Los Angeles fire chief, Donald Manning, said as the still out-of-control Malibu-area blaze crept eastward toward the Los Angeles city limit.

This particular fire had injured 120 fire fighters and three civilians since it was first reported Tuesday morning. Two men were critically burned, including a Hollywood screenwriter and director, Duncan Gib-

bins, 41, who was injured while trying to save a cat. Wednesday was Southern California's eighth day of wildfires. Twice in the last week, fire storms have gutted whole neighborhoods. The week's toll rose to more than 215,000 acres (87,000 hectares) of land scorched and 1,000 homes destroyed. At daybreak, flames were still leaping 50 yards into the air, climbing canyons and incinerating buildings.

A force of nearly 5,000 fire fighters started their attack after dawn, as the ferocious winds that drove the fire unchecked for 20 hours subsided.

"The bottom line is it depends on the wind," said a county fire inspector, Jack Pritchard. "We can talk about what we're going to do, but if the winds are blowing, Mother Nature is going to get what she wants."

Mr. Manning said six C-130 cargo planes were covering Topanga Canyon on the fire's east side with thousands of gallons of fire retardant to stop its movement toward hundreds of homes in the Pacific Palisades area of Los Angeles.

Besides the Malibu fire, which covered 35,000 acres, fires were reported to the east and south in Riverside, San Bernardino and San Diego counties.

The fire at Malibu — a city of 15,000 that winds along 27 beachfront miles (44 kilometers) — erupted Tuesday as hot, dry Santa Ana winds gusting up to 53 miles per hour returned to Southern California. The cause of the fire remained under investigation.

"It just came thundering down," said Richard C. Matheson, a writer who believes his house burned largely spared.

Deborah Carpenter, barefoot, in shorts, her face streaked with soot, stood at the water's edge clutching her 18-month-old son as the hillside above her blazed a bright crimson in the night.

"I had him wrapped up in a wet towel," she said. "He was screaming. We stood on the beach and watched our house burn."

Mansions belonging to the actors Charles Bronson, Sean Penn and Bruce Willis were damaged or destroyed during the night, according to news reports. Malibu Colony, the wealthy gated enclave of movie stars and millionaires that is the heart of the city, was largely spared.

"At this time it's safe," said a county fire inspector, Dan Eriel. "But due to the erratic wind conditions you can never have any guarantee anymore." (AP, Reuters)

RUSSIA: 'No-First-Use' Nuclear Policy Abandoned

Continued from Page 1

lieved that," he said. "It doesn't mean any change in operations in readiness, in technology, targeting. It's just a very practical statement for a country that now has few other ways of warning off attacks on its territory."

With Russia's conventional forces in disarray, Western experts said, the country evidently thought it needed to remind potential aggressors, especially China, that it was prepared to use nuclear weapons to defend itself. Russia has direct control over about 6,200 strategic warheads on missiles, bombers and submarines, plus several thousand tactical nuclear weapons, most of which are slated for dismantling.

"One of the ironies of history is that with the dissipation of the Cold War, they become more attached to nukes," said a Western diplomat.

General Grachev said at the press conference that the military doctrine itself would not be published, though he and other officials quoted extensive portions of the 33-page document. The document, long in preparation, was adopted on Tuesday by President Boris N. Yeltsin's Security Council.

a presidential committee that unites top security and government officials and establishes Russia's security policies.

The doctrine amounts to a political statement of guiding principles for the Russian Army for a transitional period. Basically, it confirmed what was already evident — that the main source of military danger to Russia was no longer any single nation or alliance, but small regional conflicts, of which about 30 have already broken out on Russia's borders. Accordingly, Russia will focus what resources it has on rapid-deployment forces rather than massive land armies, which it can no longer afford.

Unlike American defense plans the doctrine did not spell out the size of the armed forces or the scope of military spending. Western experts said it seemed to consist largely of generalities that the army and government could interpret relatively broadly as Russia struggled with chaos in its economy, government and policies.

In the past, General Grachev has indicated that the armed forces would be scaled down to about 1.2 million, but he indicated Wednesday that this was also up for review.

The idea of keeping armed forces to 1 percent of the population had come from the disbanded Supreme Soviet, he said, suggesting that it was no longer binding on the Defense Ministry.

One feature of the doctrine that reportedly led to considerable debate was whether the military should be used for internal security, as it was when army tanks fired on the parliament center Oct. 4.

As it emerged, the doctrine does authorize the use of the military when Russia's security is threatened from within by nationalists or separatist forces, when the constitutional order is undermined by force, when nuclear or chemical installations are attacked, or against illegal armed groups. General Grachev left unclear, however, who would decide when to use force.

Russian officials tried to portray the doctrine as a major statement of Russia's peaceful new posture, stressing that the country no longer identified any nation as its enemy.

But Western experts generally viewed the doctrine as a set of broad statements that largely acknowledged the obvious and left the army and the government broad leeway to adjust.

Under federal law, Vietnamese Americans can provide "humanitarian assistance" for their families in Vietnam, but much of the investment clearly goes beyond that, and almost no one interviewed for this

SAIGON: Former Refugees Returning, With Cash

Continued from Page 1

tight to his American passport. He said he owned a convenience store — and I am proud because it is very successful."

"Now I come back to help my family," he said. "Maybe I help myself, too." He allowed a passenger arriving on the same flight a peek inside his black duffel bag containing stacks of \$100 bills. "Everybody does it."

Vietnamese government economists estimate that Vietnamese-Americans have invested hundreds of millions of dollars in their homeland in the last several years, taking advantage of free-market reforms begun in the late 1980s. But for one very good reason no one is sure exactly how many Vietnamese-American investors are here, and exactly how much money they have brought: Most of the investment is illegal, a violation of the 18-year-old U.S. trade embargo on Viet-

nam. Now, everybody is going in and out of Vietnam," he said. "You can't hide it anymore because you see your neighbors from Orange County in the streets of Saigon."

Going by the rumors heard around Ho Chi Minh City — and getting beyond those rumors can be very difficult — whole blocks of the city are now owned by Vietnamese-Americans who have used family members living here as fronts. The relatives sign the deeds.

article would allow their names to be used.

"For Vietnamese-Americans, the boom business at the beginning was Vietnamese real estate," said Yen Do, editor and publisher of Ngan Viec, a newspaper in Orange County, California, and one of the largest Vietnamese dailies in the United States. "Then some began providing money-changing services. The laziest boom is selling used cars brought from southern China."

Until recently, he said, it was dangerous for Vietnamese-Americans to acknowledge that they had traveled to Vietnam, let alone that they invested in the country, because of the aggressive anti-communism of their Vietnamese-American neighbors in the United States.

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Going by the rumors heard around Ho Chi Minh City — and getting beyond those rumors can be very difficult — whole blocks of the city are now owned by Vietnamese-Americans who have used family members living here as fronts. The relatives sign the deeds.

Two of the city's leading private hotels are said to be secretly owned by Vietnamese-Americans, as are several restaurants, travel agencies, and electronics stores.

While most of the Vietnamese-American investment is going to the long-capitalist southern half of the country, there is also evidence of their money in Hanoi.

Touvier Trial Site Stirs Outrage

Reuters

PARIS — French victims of Nazi war crimes expressed outrage after a court ruled Wednesday that the collaborator Paul Touvier should stand trial in Versailles, a central site, instead of Lyon, a

point of view.

Another prominent American visitor to Mr. Touvier on his retirement in the fall of 1989 was Richard Nixon, who as president engineered the U.S. opening to China in 1972 after a long dormancy during the Cold War.

In their Oct. 31 meeting, Mr. Deng attacked the Voice of America for conveying in its shortwave broadcasts a "rivers of blood" image of the Tiananmen crackdown.

He told Mr. Nixon that students

DENG: China Preparing for End

Continued from Page 1

democracy protesters in Beijing in June 1989 was a Columbia University physics professor and Nobel laureate. T. Lee, described as an old acquaintance of the Chinese leader.

In a 70-minute conversation, Mr. Deng told Mr. Lee that Prime Minister Zhao Ziyang had been "exposed" for "splitting" the Chinese leadership over how to deal with hundreds of thousands of pro-democracy demonstrators who occupied the center of the capital spring.

"Fortunately," Mr. Deng said, "I was still there to deal with it and it was not difficult."

Referring to the decision to dismiss Mr. Zhao and order the military crackdown in which hundreds of thousands of students were killed, Mr. Deng added, "Of course, I was not the only one who played a role."

"If those people who caused the turmoil won," he said, "there would be a civil war. Of course our side would win the victory if a civil war broke out, but who knows how many people would die. That would really damage the tendon and the bones."

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In their Oct. 31 meeting, Mr. Deng attacked the Voice of America for conveying in its shortwave broadcasts a "rivers of blood" image of the Tiananmen crackdown.

He told Mr. Nixon that students

should take the initiative" in lifting sanctions imposed after the crackdown, many of which still apply today.

"If you want China to be, it can't be arranged," he said. "Even if it extended 100 years, the Chinese people will not beg for the lifting of sanctions."

The last and most recent selection includes Mr. Deng's so-called southern campaign in early 1992, to which back opposition to the pace of China's economic expansion by hard-line conservatives.

His crusade through Shanghai and Guangdong Province further ignited China's economy to the point that 17 months later, the U.S. Central Intelligence Agency was warning that the economic frenzies in China was threatening to spin out of control.

"Whoever wants to change this will be overthrown," Mr. Deng said of his economic program, adding that the only way to keep 1.1 billion Chinese people from rebelling over their plight was prosperity.

"We must snatch the opportunity" to grow fast, he said, even if such growth was chaotic and unstable. "For such a big country like ours," he said, "it's impossible to be stable all the time if we want to develop faster."

The official Xinhua press agency said that Mr. Deng had personally guided the selections in the new volume.

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INTERNATIONAL RECRUITMENT

The National Program of Action for Sustainable Income Generation

JOB DESCRIPTION

Position: Executive Director

A Tanzanian citizen is sought for the position of Executive Director of the Tanzania National Program of Action for Sustainable Income Generation (the IGP). The position is located in Dar es Salaam and is for a two-year period (renewable).

The successful candidate will be a senior professional with outstanding business, personnel and financial management abilities; a thorough understanding of how to operate in the emerging private sector in Tanzania; prior experience with development programs and projects and a commitment to help generate incomes for Tanzanians through the range of activities included in the program. In addition, the successful candidate should be familiar with international donor agencies and their operations.

Duties

The Executive Director will:

1. recruit, hire and manage a staff of about 20 people;
2. manage a portfolio of projects valued at over \$60 million;
3. oversee the establishment of the Office of Program Management (OPM) which he or she will direct;
4. serve as an *ex officio* (non-voting) member of the Board of Directors;
5. chair meetings of the Project Approval Committee;
6. act as the principal liaison with donors and the Government of Tanzania;
7. undertake final review and then sign contracts;
8. authorize disbursements;
9. oversee the installation of a comprehensive, automated management information system
10. submit regular progress and financial reports to the IGP's Board of Directors;
11. ensure regular and thorough audits by external auditors;
12. guide and assist in the development of a Policy and Procedures Manual for the OPM;
13. ensure the establishment of a roster of qualified private firms and NGOs;
14. ensure that the performance of all contractors is monitored regularly to assure that work is performed according to the terms of contracts;
15. review project evaluations and modify OPM policies and procedures as needed;
16. ensure the maintenance of accurate program statistics on numbers of jobs created, their duration, the impact on women, the number of firms involved, etc. and
17. oversee the preparation of the annual report.

Qualifications

A minimum of a Bachelor's degree in economics, business, management sciences, development studies or a related field; ten years of professional experience, with at least half in the private sector; Tanzanian citizenship; an excellent command of written and spoken English and fluent Swahili.

Overseas candidates are encouraged to apply. Assistance with resettlement costs in addition to salary and benefits will be considered. Please send a complete resume, a minimum of three references, and contact address and phone number for the attention of John Tucker, United Nations Development Programme, P.O. Box 9182, Dar es Salaam, Tanzania, or via Fax: 255-51-46718. No personal enquiries will be entertained, successful candidates will be contacted by UNDP. Deadline for applications: November 30, 1993.

Sales Development Manager — Saudi Arabia

A leading US multinational corporation — one of the world's most respected consumer goods companies with operations worldwide — requires a dynamic sales and marketing professional to be the senior executive for their operations in Saudi Arabia.

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The ideal candidate will have at least 5 years experience in consumer goods marketing and sales (sales management a plus), but will still be at an early career stage. This proven professional marketer must have previous experience with a multinational corporation and recent experience working in the Saudi market. Candidates must have excellent communication and interpersonal skills and the ability to work effectively with people at all levels. Additionally the candidate will be a self starter and motivator with a high energy level possessing a firm, positive personality.

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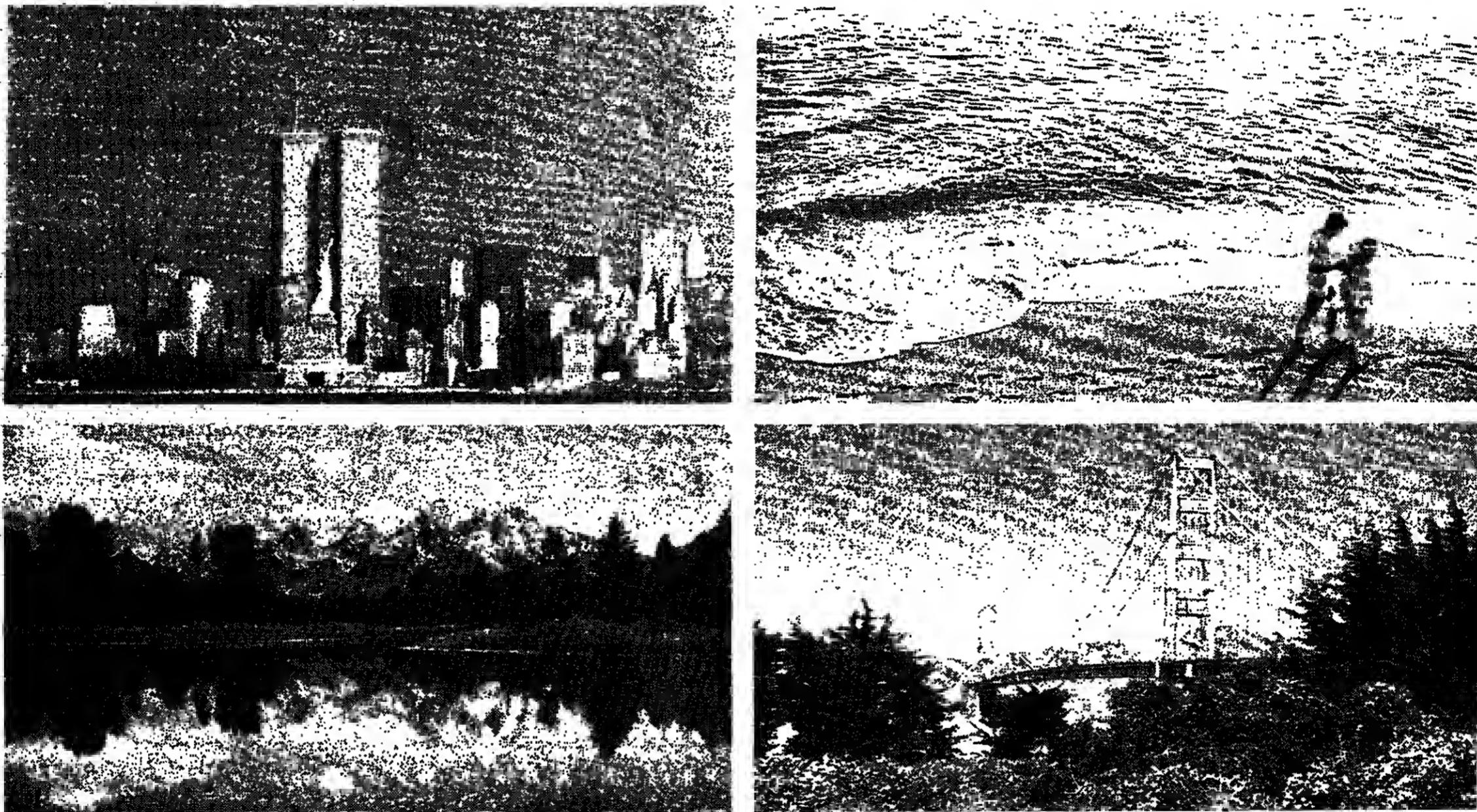
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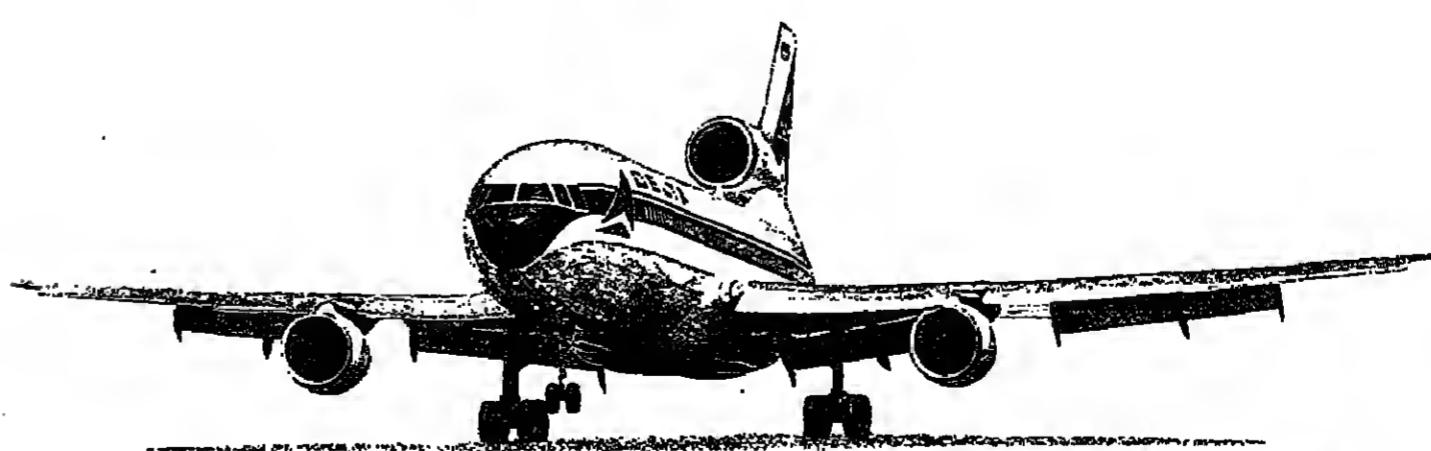
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DELTAAIRLINES

NEW YORK FASHION

Oscar Stands Fast As Downtown Upstages Uptown

By Suzy Menkes
International Herald Tribune

NEW YORK — It was the ultimate downtown fashion scene. Flash bulbs popped over supermodel Kate Moss perched on the lap of transvestite Jaye Davidson. (Check out his nice long skirt). Next to them was the drag-queen pop star RuPaul. (Catch his naughty short skirt). Susan Sarandon and her kids were talking among themselves. Everyone else was looking at each other. Todd Oldham's show was a sure-fire hit even before the wild raffia gowns and wildly patterned shorts hit the runway.

Now a little something for the upturn crowd. Oscar de la Renta's ladies lined up six deep: Nan Kempner rubbing Oscar-clad shoulders with Betsy Bloomingdale; Ivana Trump at the front; Annette de la Renta way back; Barbara Walters peeking out from behind Pat Buckley's head. It was the same old crowd, but a good one. It was also the only one.

The hidden agenda in this New York fashion season is the retreat of uptown style. Fashion seems to mirror the issues in New York's close-fought mayoral election. The middle-class flight from Manhattan means few upscale clothes.

Against the fragmented and frenetic reality of New York, Bill Blass's show seemed soothing and reassuring. Without creating any fashion waves, Blass gave a classy show softening the firm lines of tailoring with a puff sleeve here or a layer of lace or Julie over a regular jacket or a waltz of organza coat over a pinstriped suit. The effect of this, and of a vest or a sweater paired with a wisp of chiffon, was of Blass hanging on to normality in a shifting fashion scene. But with his command of technique, he also showed that nothing is off the top, making cutouts, crepe cutouts at the waist, evening dresses in tulle, and jackets in elongated tunics.

Over to Anna's show was slow, and upscale, but oh-so-discreet. Everything was pared down: no collar to disturb the clean neckline; not a flounce to fancy up the skirt. Instead a touch of Moroccan decoration — the scroll embroidery found on caftans — ran around neck, front and wrists of simple jackets in elongated tunics



De la Renta's jacket and tunic with Moroccan motifs.

Mosca Thomas

the show was really about long layers in wisp fabrics.

Oldham's show was a lot of fun — if you like to see supermodels giving their all in spiders' web bras tops and skimpy shorts and prints that turn kitsch into an art form. Oldham's clothes are not anything new, but the designer has that essential modern fashion ingredient: attitude.

The prints were funny and witty — postcard views of and Arizona

or nuts and bolts laid out in black and white. A toothed bracelet turned into a hair comb so that a model could ride her coiffure on the runway. Printed boots met truncated hemlines around mid-thigh. There were straw fringes and witty prints that dubbed the outfit "scare-a-crow dress." In a city where Seventh Avenue fashion takes itself very seriously, Oldham's shows — even if the formula is familiar — provide light relief.

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HEALTH/SCIENCE

Family Ties: Is It All in the Brain?

By Boyce Rensberger
Washington Post Service

WASHINGTON — Early in this century, discoverers of the chemical basis of life liked to say that thought is just a secretion of the brain.

Eager to depose the ancient view that life springs from a supernatural "vital force," these researchers claimed instead that even the most human of behaviors — the ability to reason, say, or to love — would someday be explained through the mechanisms of molecules and cells.

Those early "mechanists" would be delighted with a burgeoning new field of research that shows there is indeed a physiological basis for behaviors such as monogamous bonding of male and female and parental nurturing of the young — at least among nonhuman mammals.

Scientists at several institutions, working mainly with mouse-like voles, have found that family ties depend critically on the ebb and flow of specific chemicals in the brain. Perhaps not surprisingly, one way the brain is prompted to make these molecular mediators of social devotion is through sexual stimulation.

When these substances are produced naturally (or injected into the brain by researchers), they cause prairie voles to become pair-bonded quickly. And when blocking chemicals are given, preventing the hormones from reaching their targets in the brain, the animals remain unbound.

"We all find it easy to accept the idea that there is a physiological basis for sexual behavior," said C. Sue Carter, a voice researcher at the University of Maryland at College Park. "Now we're finding there is a physiology of monogamy in voles, and it's easy to see parallels to humans."

Two chemicals, both made in the brain's pituitary gland, have been found to play key roles in vole social behavior: the hormones oxytocin and vasopressin, which are present in all mammals. They are very small protein-like molecules called peptides: although almost identical, they play very different roles in the body.

Obstetricians have long known, for example,

that oxytocin in the bloodstream stimulates uterine contractions at birth and milk production in the breasts. A synthetic version is given to induce labor.

Vasopressin, also called antidiuretic hormone, regulates blood pressure by constricting blood vessels and acts on the kidneys to reduce the amount of water extracted from blood to make urine. Doctors give it to control some forms of internal bleeding and bed-wetting.

Only recently, however, have scientists discovered that these chemicals also act within the brain to influence behavior. In one study, for example, injections of oxytocin made estrus female rats more eager to mate, causing them to spend more time swaying their backs to "present" their genitals to male rats. Mother rats

dosed with oxytocin spend more time grooming their pups. They give mice instant erections.

Sex also stimulates these hormones in humans. Blood samples taken as men masturbated showed oxytocin and vasopressin levels rising several-fold. Some researchers speculate that the hormones mediate pleasurable sensations or induce feelings of emotional closeness. Oxytocin also rises in masturbating women, sometimes enough to stimulate the breasts to exude milk.

"On take all these observations and — I'm just speculating — you begin to get a picture of oxytocin as a pro-social neurohormone," Dr. Carter said. "Production is stimulated by three things: birth, lactation and sex. These are all occasions that are associated with the development of social bonds."

Vole pairs bond abruptly. While unmated, males and females are sociable with all other voles. Once a couple mates, however, a power-

ful bond is formed, apparently triggered by the sex act itself, which stimulates release of oxytocin and vasopressin. A mated vole couple also becomes friendly to other voles, and the males, especially, become hostile to outsiders.

"It is a very sudden, very dramatic transition," said Thomas R. Insel, who experiments with voles at a National Institute of Mental Health laboratory in Bethesda, Maryland. "Before mating these guys are your typical Wal Disney animals, friendly to everybody. After mating, they turn vicious." Dr. Insel interprets the behavior as "mate guarding."

The transition also alters tissues. A vole female does not come into heat or begin ovulation until she detects the pheromones released by a mature, unfamiliar male. Within a day comes into heat and begins a frantic search for a mate. Her sex stimulates her to ovulate.

Afterward the two are bound for life. (Percent become nearly inseparable often sitting side-by-side. When the young are born, the male tends as active a parental role as the female.)

Researchers have established that oxytocin levels soar during the mating period. The hormone is essential has been proven in experiments that show pair bonding fails to occur unless the female is simultaneously given a drug that blocks oxytocin from binding to receptors in certain brain cells. When the right molecule plugs itself into a receptor, it activates protein-entrance channels.

Working with Dr. Carter and Dr. Insel, Jennifer Williams found that an injection of oxytocin into the brain could cause a female vole to mate with a male who was simply a vagrant. (In the wild, the hormone cannot cross the so-called blood-brain barrier.)

Dr. Insel and colleagues, including James Winslow and Dr. Carter, reported in the journal *Nature* that vasopressin plays a comparable role in male prairie voles. The group's experiments found that, as with oxytocin, a vasopressin blocker prevented males from bonding to females with whom they mated. It also proved to prevent the subsequent aggressiveness to other females. Fine

Key Steps to Checking Child's Vision

By Jane E. Brody
New York Times Service

NEW YORK — Most of what children learn about the world they learn through their eyes. Yet the eyes are often sadly neglected, and for lack of proper and well-timed eye exams, correctable visual difficulties in infants, toddlers and preschoolers are missed until they are well into the elementary grades or beyond.

One child in four has a vision problem that would show up readily in a professional eye exam, and one child in five needs eyeglasses. Parents are often lulled into a false sense of security after their children "pass" a school eye chart exam. In fact, as many as 70 to 80 percent of problems are undetected by this useful but limited test.

Dr. Walter Fierson, a pediatric ophthalmologist in Pasadena, California, estimated that "of all children with correctable eye problems, between 10 and 15 percent of those in the upper socioeconomic groups and as many as 50 percent in the lower socioeconomic groups have not been diagnosed."

But even if only a small percentage of affected children were missed, it would have serious potential consequences. In some cases, failure to detect and correct eye problems in preschoolers results in permanent visual impairment.

Even though an infant cannot read an eye chart, the pediatrician using an ophthalmoscope can get an approximation of how well the baby sees and, even more important, whether the baby has a vision-imparing problem like cataracts (which can be present at birth), scarring on the surface of the eye, a congenital deformation of the eye or an eye muscle problem that prevents both eyes from working together.

When eye muscle problems go undetected or are detected but not corrected before the age of 6, the child may become functionally blind in one eye, a condition called amblyopia.

Parents who resist treatment because they

think their child will outgrow a problem crossed eyes or lazy eye may end up doing the child to a life of monocular vision.

To rectify this situation, the American Academy of Pediatrics will soon publish new guidelines for children's eye exams.

The academy has for years recommended that infants be examined for visual deficiencies and eye muscle imbalances during the first six months of life, and that regular vision screening be started in the preschool years.

Preliminary checkups can be done by pediatricians or family care specialists, but when a potential problem is found the child should see an eye care professional, preferably an ophthalmologist, ideally a pediatric ophthalmologist.

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Parents who resist treatment because they

do not see as well as other people do.

Dr. Robert Gross, a pediatric ophthalmologist in Fort Worth, Texas, who has helped develop the new guidelines for pediatricians, said screening tests for visual acuity should start at the age of 3 and be repeated annually well into the elementary grades.

CHILDREN born with visual impairments are not likely to complain about them because they have no reference point that tells them they do not see as well as other people do.

Dr. Robert Gross, a pediatric ophthalmologist in Fort Worth, Texas, who has helped develop the new guidelines for pediatricians, said screening tests for visual acuity should start at the age of 3 and be repeated annually well into the elementary grades.

BOOKS

THE MOLE PEOPLE:
Life in the Tunnels Beneath New York City

By Jennifer Toth. 267 pages. \$19.95. Chicago Review Press.

Reviewed by Jim Dwyer

A FEW years ago, when Jennifer Toth was a graduate journalism student in New York, she tutored kids in Harlem. One day, a 10-year-old girl casually mentioned the weird life of a classmate, Julie, who was very different: Julie lived in a tunnel with her family.

"She nobody's friend," the girl told Toth. "She dirty all the time, and she is stinky, too. She be one of them mole people."

For the next year, that spark of a story led Toth beneath the city of New York in search of nobody's friends.

Now, meet "The Mole People," the men, women and children Toth found and heard about during her explorations in the dark sub-world of New York. The island of Manhattan is nearly as dense below ground as it is above. And as valuable as it is the sky-scraping real estate is, it would be worthless without the underground honeycomb of subway tunnels, sewage lines, water mains, steam pipes and electricity conduits that keep the city humming.

Toth went. She wandered among the people whose little villages she could penetrate and found mad-

ness and despair, and many moments of heroism. By my count, she also found fewer than the 5,000 people that she guesses is the true census of the invisible underground. You will have to make do with a few hundred or maybe a thousand in the tunnels.

"The Mole People" is personal journalism, and that much livelier and heartfelt for the picture formed of a young intern-reporter going where few of her more jaded and well-paid colleagues have dared or bothered to go. Much of it is based on conversations with people using anonymous names in unspecified underground areas and consists of a mixture of the unverifiable, the implausible and the authentic-sounding.

Toth found her richest vein of the path Jacob Riss, the spokesman for the Hope Diamond, took there after breaking up with a girlfriend. A broken pipe provided fresh water — "the Tears of Allah," Isaacs called it. To survive, Isaacs mines bottles and cans from the trash for the nickel deposits. "People think food's the greatest down here. It's not . . . They throw away the cream of the cream in New York, which makes scavenging relatively productive. I expect to find the Hope Diamond out there in the street some day. It's dignity that's hard to get."

For all her intrepid reporting in

the path of Jacob Riss, Toth gives

what they're reading

Catherine Lalumière, secretary-general of the Council of Europe, is reading "Entre deux mondes" (Between Two Worlds) by Diana Pinto.

"This autobiography is the story of a young woman who has lived both in Europe and in the United States. Looking at these two realities through the same eyes makes it easier to understand their similarities and differences. Formidable!" (Barry James, JHT)

talk beneath Riverside Park on the west side of Manhattan, in a community that firmly established itself in an Amtrak tunnel that wasn't much used during the 1980s.

Bernard Isaacs, the spokesman and "lord of the tunnel," landed there after breaking up with a girlfriend. A broken pipe provided fresh water — "the Tears of Allah," Isaacs called it. To survive, Isaacs mines bottles and cans from the trash for the nickel deposits. "People think food's the greatest down here. It's not . . . They throw away the cream of the cream in New York, which makes scavenging relatively productive. I expect to find the Hope Diamond out there in the street some day. It's dignity that's hard to get."

When she visits a Harlem tunnel,

she reports on a group of people who claim to be paid assassins and out-cab drivers.

That would be 13 murders, noteworthy even by New York's admittedly high standards. Were any of them committed?

The idea is not to catch tunnel people in fibs or fabrications, but to know when we are being duped in local mythology and when we are hearing staggering, never-repeated stories.

In the end, the wilder stories are overshadowed by the far simpler and far more touching portraits.

Toth presents of injured people struggling for dignity and tenderness. Having aimed high, having strode beneath New York with a can of Mace from her father, and with a heart and head ready to listen, she has brought back a book of stories that no one else has told — a book that is honest and above all, loving to people who are nobody's friends.

North and South were vulnerable.

The bidding:

WEST (D) NORTH (E) EAST (S) South

♦ A 18 6 2 ♦ A 18 7 2 ♦ A 18 8 4

♦ Q 9 5 ♦ Q 9 6 3 ♦ Q 9 7 3

♦ ♠ 6 4 2 ♦ ♠ 5 6 3 ♦ ♠ 4 5 3

♦ ♣ K 18 7 5 ♦ ♣ K 18 8 7 3 2 ♦ ♣ K 18 9 7 5

♦ ♤ K 18 7 5 ♦ ♤ K 18 8 7 3

MARKET DIARY

Blue Chips Tumble As Rates Climb On

Compiled by Our Staff From Dispatches

NEW YORK — Computer-driven program trading sent stock prices into a tailspin in a crush of trading Wednesday.

Stocks opened weaker and remained in negative territory

N.Y. Stocks

Throughout the session, but late in the afternoon, equities turned sharply lower after computer-triggered sell programs kicked in, dumping stocks of stocks in heavy volume.

The Dow Jones industrial average closed 35.77 points lower at 3,661.87. At one point, however, it had lost more than 50 points, setting off the New York Stock Exchange's "up tick" rule, which restricts program trading, and relieving some of the pressure to sell.

Decliners outnumbered advancers on Wednesday by 3 to 1 while volume rose to 350 million shares from 305 million shares on Tuesday.

Analysts said investors got anxious when it became apparent that electric utility stocks, often considered a leading indicator of the gen-

eral market, were tumbling across the board.

A chain of recent data have pointed to a stronger U.S. economy, leading to concerns about inflation, a rise in interest rates and a fourth consecutive session of weaker bond markets.

The benchmark 30-year Treasury bond fell Wednesday by 7/8 of a point to close at 101 26 32, while its yield rose to 6.11 percent, the highest since Sept. 21.

Higher rates not only make stocks less attractive but lead to concern that investors may begin pulling out of stock mutual funds, or at least curb their enthusiasm for further purchases.

Among the few advancing issues, drug and health-care stocks gained as Democratic Party losses in state and local elections led traders to think President Bill Clinton may face problems in his bid to pass health reform legislation.

Among leading drug shares, Merek & Co. rose 1 1/2 to 64 1/2, and Eli Lilly & Co. rose 1 1/2 to 55 1/2.

The rate in rates led to a drop for major banks. Citicorp slipped 1 to 35 1/2, and Chemical Bank eased 1 to 20 1/2.

(AP, Bloomberg, UPI)

The Dow

Daily closings of the Dow Jones Industrial average

3,661.87

2,670 3,661.87

3,630 3,630

3,600 3,600

3,570 3,570

3,540 3,540

3,510 3,510

3,480 3,480

3,450 3,450

3,420 3,420

3,390 3,390

3,360 3,360

3,330 3,330

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2,970 2,970

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2,850 2,850

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930 930

900 900

870 870

840 840

810 810

780 780

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720 720

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570 570

540 540

510 510

480 480

450 450

420 420

390 390

360 360

330 330

300 300

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240 240

210 210

180 180

150 150

120 120

90 90

60 60

30 30

0 0

Dow Jones Averages

Open High Low Close Chg.

Industrials 3,661.87 3,664.54 3,661.87 -3.67

Transport 3,661.87 3,664.54 3,661.87 -3.67

Utilities 3,661.87 3,664.54 3,661.87 -3.67

Finance 3,661.87 3,664.54 3,661.87 -3.67

Aerospace 3,661.87 3,664.54 3,661.87 -3.67

Retail 3,661.87 3,664.54 3,661.87 -3.67

Chemical 3,661.87 3,664.54 3,661.87 -3.67

Automobiles 3,661.87 3,664.54 3,661.87 -3.67

Food 3,661.87 3,664.54 3,661.87 -3.67

Services 3,661.87 3,664.54 3,661.87 -3.67

Finance 3,661.87 3,664.54 3,661.87 -3.67

Manufacturing 3,661.87 3,664.54 3,661.87 -3.67

Construction 3,661.87 3,664.54 3,661.87 -3.67

Transport 3,661.87 3,664.54 3,661.87 -3.67

Finance 3,661.87 3,664.54 3,661.87 -3.67

Automobiles 3,661.87 3,664.54 3,661.87 -3.67

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Manufacturing 3,661.87 3,664.54 3,661.87 -3.67

Transport 3,661.87 3,664.54 3,661.87 -3.67

Finance 3,661.87 3,664.54 3,661.87 -3.67

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Markets In Sweden Favor New Bank Chief

Compiled by Our Staff From Dispatches

STOCKHOLM — Sweden's central bank named Urban Backstrom to a five-year term as its governor on Wednesday, and stock and bond prices rose on the news.

Mr. Backstrom, 58, who will succeed Bengt Dennis, 63, when Mr. Dennis retires at year-end, is a former chief executive of the securities house Consensus Fondkommission and a former chief economist of Prime Minister Carl Bildt's Moderate party.

He now is an undersecretary of state in the Finance Ministry with responsibility for tax, financial and housing matters.

Peter Hagberg, chief dealer at Skandia Enskilda Banken said the market welcomed the appointment because Mr. Backstrom "knows how the markets functions" and has spoken out in favor of interest-rate cuts.

After his appointment, Mr. Backstrom rejected suggestions that he had called for a change in monetary policy.

"I have simply followed the government line and have not had any other view," he said.

In addition, his appointment by the board of the central bank, the Sveriges Riksbank, was not unanimous. Three committee members representing the opposition Social Democratic Party registered reservations about the appointment.

But bond dealers dismissed Mr. Backstrom's disclaimer of interest rates.

"Never mind what Backstrom is saying at the news conference about continuity," one dealer said. "He's going to cut rates faster than Dennis did." He added that the Social Democrats "can live with him" if they win the elections scheduled for September 1994.

In the financial markets, the SX general index of stocks rose after the announcement and closed about 1.5 percent higher on the day. Bond yields, which fell as prices rise, fell 8 to 12 basis points, or hundreds of a percentage point.

(AFX, Bloomberg)

■ Denmark Cuts Rate Again

Denmark's central bank cut its discount rate a quarter of a percentage point, to 7 percent, its fourth reduction in six weeks. Reuters reported from Copenhagen.

Hungary's Entrepreneurial Harvest

By Henry Copeland

Special to The Herald Tribune

DORGICSE, Hungary — Last December, Sandor Ember quit his engineering job in Budapest to build a winery here on chalky slopes north of Lake Balaton. Now Mr. Ember is using his BMW to shuttle unemployed villagers to harvest the grapes he hopes will yield 150,000 bottles of wine next spring.

The venture requires optimism, even bravery. Hungarian farmers have suffered a series of misfortunes that would make even Job wince. Two successive record droughts, slashed energy subsidies, and the evaporation of the East bloc's ready reservoir of buyers have withered production.

As the collectives and state farms that controlled 80 percent of land here go broke or are broken up, many rural communities resemble ant hills, upturned by a free market shovel.

Amid this chaos, a growing number of entrepreneurs like Mr. Ember are staking a claim to Hungary's fallow fields and vacant warehouses, making gourmet products that range from wild rice to cheese. Between 1985 and 1992, the number of private corporations active in agriculture here increased from 55 to 1,498, according to a survey by the Organization for Economic Cooperation and Development.

The success of these ventures will be crucial, both for villages where no other work exists, and for Hungary, which relies on agriculture for one-quarter of exports.

Paid only 700 forints (37) a day, some of the workers harvesting Mr. Ember's grapes gripe that they should be paid at least 100 forints more. The cherished woman running the crew retorts: "Work is work, and money is money. And time — we have enough time." Eighty percent of the people in their village have no job, she says.

EC Duties Hit Japan Cameras

The Associated Press

BRUSSELS — The EC Commission announced on Wednesday that it had imposed provisional anti-dumping duties of up to 97 percent on imports of Japanese television camera equipment used by professionals.

The commission said an investigation showed that Japan's share of the EC market for the camera equipment rose to 70 percent in 1992, from 52 percent in 1989. During that period, it added, EC producers saw their market share slip from 48 percent to 30 percent.

The commission said Japanese producers undercut EC prices by up to 64 percent.

Agricultural workers now make up nearly half of the country's 600,000 unemployed, according to government statistics.

Even as Mr. Ember's grapes arrive from the vineyards, other workers are erecting six huge stainless steel tanks to hold the new wines. To build his as-yet unnamed winery, Mr. Ember raised about \$50,000 from friends and borrowed an additional \$100,000 at 13 percent, a government subsidized privatization rate about half of inflation.

With similar panache but a lot less cash, Soma Zemplenyi began making cheese from

State-controlled agriculture has withered, leaving the fields to private firms willing to gamble.

sheep's milk four years ago after tasting a sample brought from Switzerland. Then a 24-year-old engineering student, Mr. Zemplenyi decided he would produce the cheese commercially in Hungary. No one else was.

He went to villages to learn his trade. "The best was to find the really old people, older than 70 years old, who still knew how to do it," he said.

"When I started, I brought the sheep's milk one day, made cheese the next two days, and then sold cheese the rest of the week," he said. Today he has six employees and sells 500 to 800 kilograms (1,100 to 1,800 pounds) of his cheese weekly to hotels and shops.

In a warehouse in the dusty town of Kisujzallas, about 120 kilometers east of Budapest, workers are processing Hungary's fourth crop of wild rice. Soon nine tons of rice

soaked in ice water will arrive, air-freighted from the United States, to seed 600 hectares for next year.

Mitlos Molnar, who left Hungary for California in 1956, returned on a visit in 1989 and discovered thousands of hectares of fallen white rice fields, with sluices and irrigation ditches still intact. Mr. Molnar imported two Minnesota wild rice experts who taught local farmers how to grow the gourmet crop.

Next year's anticipated 150-ton harvest is a fraction of total world production of 10,000 tons, but will represent a significant portion of the 1,000 tons bought in Europe, says Mr. Molnar's son Peter, who oversees operations here.

Although land and labor costs are about one-tenth of those in North America, Peter Molnar said, American subsidies mean Hungarian wild rice costs about the same wholesale, approximately \$4.50 a kilogram. But with no European competition, the company avoids tariffs and halves the shipping cost — about 40 cents a kilogram from North America.

Like other former East bloc products seeking to enter Western markets, Hungarian wild rice has had to shed socialism's reputation for mediocrity. After two years of cultivation, the Molnars sold only 5 of 70 tons grown. But this fall, one European buyer bought the entire 55-ton crop and contracted to buy next year's entire planning.

Mr. Ember hopes he can do as well with his wine.

Mr. Ember's predecessors favored grape varieties that were high yielding and ripened early. Taste was not object, since the Russians paid the same price for all wine, good or bad.

Lo buying vineyards, Mr. Ember passed up hills filled with grapes called "1,000 Clusters" and "Jubilee 70" — named for a Stalin birthday — and grabbed plots bearing chardonnay and merlot grapes.

(Reuters, AFX, Bloomberg)

BEIJING: Too Hot, or Not?

Continued from Page 11

Shougang's stockpile, and will provide working capital for the group, which owes its suppliers 2.8 billion yuan.

Shougang's cash-flow difficulties contrasted sharply with the fortunes of Maanshan Iron & Steel Co., which saw its shares rocket by 60 percent during its first day of trading on the Hong Kong stock exchange Wednesday.

Investors who have pushed Hong Kong share prices to startling heights are said to be buying in the belief that China's economy will continue to reform and grow rapidly.

"There is some borsetrading going on," said Enzio von Pfeil, an economist with S.G. Warburg Securities in Hong Kong.

DAIMLER: Big Loss, Big Move

Continued from Page 1

Formulas One racing since 1955. Daimler had been accused of neglecting Mercedes in recent years as it embarked on a costly diversification into aerospace and defense technologies.

"The concept is symbolic of a new dynamism," said Mr. Haug.

But Mercedes' return bears the mark of recession.

"We want to stress that it is in cooperation with another firm," Mr. Haug said.

Mercedes said it would jointly manufacture an engine with the British firm Ilmor Engineering and would work with the Swiss racing team owned by Peter Sauber in the Formula One series. On the IndyCar circuit, Mercedes will work with the American team owned by Roger Penske.

Mercedes plans to buy a 25 percent stake in Ilmor from the Chevrolet division of General Motors

Inc. Ilmor already supplies engines to Mr. Sauber and Mr. Penske, who own 25 percent of the company.

Mercedes pulled out of Formula One racing, which it had dominated in the early 1950s, after a crash involving one of its cars killed 80 people at the Le Mans 24-hour race.

Diana Kurylko, European editor for Automotive News, described Mercedes' return as a costly effort with uncertain return.

"It costs millions, and if a company fails, their reputation suffers as Porsche learned," she said.

Porsche AG, a leading German sports-car manufacturer, dropped out of Formula One racing in 1991 for financial reasons.

Mercedes declined to estimate the cost of its race participation, but Mr. Haug said the cost would be repaid "with good interest" in terms of publicity.

Akzo Soars As Net Tops Forecasts

Compiled by Our Staff From Dispatches

AMSTERDAM — Akzo NV, the Dutch chemicals company, reported on Wednesday a net profit for the third quarter before extraordinary items of 169.9 million guilders (\$88.7 million), up 4.2 percent from a year ago but considerably higher than most analysts' estimates.

The better-than-expected showing prompted a rush of buy orders, largely from U.S. customers, which lifted the stock 7.4 percent to 194.30 guilders, and caused a number of analysts to revise their estimates for the year.

Analysts, who had widely expected a figure in a range between 120 to 130 million guilders, said that Akzo had shown resilience to Europe's recession-ridden economies, had improved its performance in North America and the Far East, and was benefiting from a drive to cut costs.

Peter Schouten, an analyst with the broker CLN Ovens & Van Egmond, who upgraded Akzo to a "buy" recommendation from "hold," said the company's restructuring "had a tremendous effect on profitability."

Akzo said that profit in the quarter excluding extraordinary items fell 30 percent from a year ago, to 113.9 million guilders. This figure included a charge of 55 million guilders for divestments.

(Reuters, AFX, Bloomberg)

U.K. Retailer Boosts Profit

Compiled by Our Staff From Dispatches

LONDON — The food and clothing retailer Marks & Spencer PLC said Wednesday that earnings for the first half of fiscal 1993 rose 21 percent as price promotions helped drive sales in Britain 6.9 percent higher.

The company said pretax profit rose to £307.8 million in the first half of the fiscal year, which ended Sept. 25, from £255.1 million a year earlier.

The company remained cautious over its full-year results, however, because of what it called the "fragility" of Britain's economy.

(BBN, AFP)

Investor's Europe

Frankfurt	DAX	London	FTSE 100 Index	Paris	CAC 40
2,100	1,220	2,200	2,000	2,000	2,000
2,000	1,310	2,100	1,900	1,900	1,900
1,900	1,200	2,000	1,800	1,800	1,800
1,800	1,100	1,900	1,700	1,700	1,700
1,700	1,000	1,800	1,600	1,600	1,600
1,600	900	1,700	1,500	1,500	1,500
1,500	800	1,600	1,400	1,400	1,400
1,400	700	1,500	1,300	1,300	1,300
1,300	600	1,400	1,200	1,200	1,200
1,200	500	1,300	1,100	1,100	1,100
1,100	400	1,200	1,000	1,000	1,000
1,000	300	1,100	900	900	900
900	200	1,000	800	800	800
800	100	900	700	700	700
700	0	800	600	600	600
600	0	700	500	500	500
500	0	600	400	400	400
400	0	500	300	300	300
300	0	400	200	200	200
200	0	300	100	100	100
100	0	200	0	0	0
0	0	100	0	0	0

Compiled by Our Staff From Dispatches

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(Reuters, AFX, Bloomberg)

PARIS — The CAC 40 index closed at 1,270.16, up 1.67 percent.

BRUSSELS — The Stock Index closed at 7,091.98, up 0.39 percent.

FRANKFURT

NYSE

Wednesday's Closing
Tables include the nationwide prices up to
the closing on Wall Street and do not reflect
late trades elsewhere. Via The Associated Press

INTERNATIONAL HERALD TRIBUNE, THURSDAY, NOVEMBER 4, 1993

Continued on Page

NYSE

**The resurgent US economy
Warmer US-China relations
December elections in Russia
The coming GATT talks
A new administration in New York**

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Finland	F.M.	2,400	40	1,300
France	F.F.	1,950	40	1,070
Germany	D.M.	700	32	385
Great Britain	P.	210	32	115
Greece	Dr.	75,000	26	41,000
Ireland	E.R.	230	37	125
Italy	Lira	500,000	43	275,000
Luxembourg	L. Fr.	14,000	36	7,700
Netherlands	P.	270	40	420
Norway	N.Kr.	3,500	36	1,900
Portugal	Esc.	47,000	39	26,000
Spain	Ptas.	48,000	24	26,500
- hand deliv. Madrid	Ptas.	55,000	12	27,500
Sweden (airmail)	S.Kr.	3,100	34	1,700
- hand delivery	S.Kr.	3,500	28	1,900
Switzerland	S.Fr.	610	44	335
Rest of Europe, N. Africa, former French African, Middle East	S.	630	-	345
Gulf States, Asia, Central and South America	S.	780	-	430
Rest of Africa	S.	900	-	495
				270

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Chinese Takeover: Harbinger of Future

Reuters

WUHAN, China — The local press called it "the snake swallowing the elephant." In September, a private company with just 127 staff in the central Chinese city of Wuhan bought out a failing state-owned match company with 1,800 workers that had built up more than \$2 million in debts.

In what could be a model for China's money-losing state enterprises as they bow to the laws of the market, the new owner plans to start afresh by knocking down much of the crumbling plant and shedding many staff.

For the new owner, Li Yuan, head of the manufacturing and trading group Wuhan Dadi, which translates as "Great Earth," the old Wuhan Match Factory had one precious asset — 1.85 hectares (45 acres) of prime real estate in the middle of overcrowded Wuhan, one of China's major industrial centers.

"We have product and technology and need to develop, they have empty land," Mr. Li said.

"I will knock down much of this," he said, pointing to the aged brick buildings covered in dust and with Communist slogans still on the wall. "Some of the old equipment we will be able to sell cheaply and some we will keep."

The 95-year-old enterprise was trapped by the old socialist planning system. With the price of matches controlled by the state and smokers switching to lighters, it started to lose money in 1990 and stopped production in November 1992 with debts of 15.6 million yuan (\$2.7 million).

Yet it still had to keep its 1,800 workers on the payroll.

Finally a state panel assessed the value of the factory at \$3.6 million yuan (\$940,000), but sold it to Mr. Li for 40.8 million, because nobody else wanted it.

Mr. Li is cracking the "iron rice bowl," Chinese slang for the cradle-to-grave welfare state employees get. He is offering the 1,800 workers a choice to stay or leave.

If they leave, they get 15,000 yuan — or

about eight years' salary in a lump sum — to make a new start.

If they want to stay, they have to pass an exam testing their technical knowledge, literacy and attitude to the new firm. "This test of attitude is the most important," said one of Mr. Li's aides. "They must be comfortable with the new situation. If not, we cannot use them."

Mr. Li started in business at the age of 10 in 1962, selling wooden furniture cases on the streets with his mother. Then politics intervened and 20 years were lost: Mr. Li was sent to work in the countryside and then in a glass and instrument factory. He resigned in 1984 and finally resumed the career he wanted, selling clothes, socks and shoes in Wuhan's bustling street market.

Now Mr. Li presides over a concern with interests in real estate, trading and production of calculators and instruments, and will use the new factory to make new products, including lighters and filing cabinets.

Singapore Suspends Trade Board Chief After Theft Arrest

Bloomberg Business News

SINGAPORE — The chief executive officer of Singapore's Trade Development Board was suspended Wednesday following his arrest on theft and forgery charges.

Yeo Seng Teck, 49, was released on bail of \$600,000 Singapore dollars (\$375,000) after his arrest Tuesday, the Corrupt Practices Investigation Bureau said.

Mr. Yeo was temporarily suspended from his trade board duties and from his chairmanship of Jurong Town Corp. pending the resolution of the charges, the Ministry of Trade and Industry said.

The Trade Development Board, a division of the ministry, develops internal and external trade for Singapore companies. Jurong Town Corp. develops and manages Singapore's industrial zones, which house over 4,500 companies.

Mr. Yeo is charged with forging documents and stealing about \$2 million Singapore dollars from Jurong Town Corp. and two other organizations in which he holds leadership positions: the government-linked steelmaker NatSteel Ltd. and the Empress Place museum. The alleged crimes took place between 1988 and this year.

Mr. Yeo is also chairman of NatSteel Ltd. A company spokeswoman had no information on the arrest and said Mr. Yeo remained chairman of the company.

Analysts said NatSteel's outlook

would not change much if Mr. Yeo left the company, since chairman of more government-linked companies are figureheads.

"He doesn't play a very active executive role," said an analyst with a foreign brokerage house.

The charges will be the subject of court proceedings in three weeks.

Wong Hung Khim, president and chief executive of Singapore Telecom, was named acting chairman of Jurong Town Corp., the trade ministry said.

■ **TNT Posts Loss In Last Quarter**

Agence France-Presse

SYDNEY. — The Australian transport group TNT Ltd. reported Wednesday a loss of \$3.24 million Australian dollars (\$22.39 million) in the quarter ended Sept. 30, compared with a net loss of \$5.12 million dollars a year earlier.

The result included one-time losses of \$5.12 million dollars, primarily from unrealized foreign-exchange deficits incurred by Ascent Airlines.

Revenue totaled 1.4 billion dollars.

Investor's Asia

	Singapore	Tokyo
Shuttle Times	Nikkei 225	
1993	2200	2150
1992	2150	2100
1991	2000	2150
1990	1900	2000
1989	1800	1850
1988	1700	1750
1987	1600	1650
1986	1500	1550
1985	1400	1450
1984	1300	1350
1983	1200	1250
1982	1100	1150
1981	1000	1050
1980	900	950
1979	800	850
1978	700	750
1977	600	650
1976	500	550
1975	400	450
1974	300	350
1973	200	250
1972	100	150
1971	50	100
1970	20	50
1969	10	20
1968	5	10
1967	2	5
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A Special Report

Banking and Finance in France

Chip Outsmarts Thieves

France Takes Lead in Bank-Card Security

By Philip Crawford

PARIS — With bank-card fraud a growing concern amid a global society that uses plastic nearly as often as cash to make purchases, France is emerging as the international leader in fraud-preventing systems and technology.

The key to France's success, say experts, is the initiative undertaken six years ago by French banks, now complete, to equip every newly issued bank card with a *puce*, or microchip, which significantly thwarts the usability of cards that have been stolen or lost.

Since 1991, when the number of chip-carrying "smart" cards increased to more than half of all French bank cards in circulation, fraud in France has decreased about 36 percent, from 467 million francs (\$80 million) to an estimated 300 million francs in 1993. Today, roughly 70 percent of all bank-card purchases in France — and nearly all teller machine (ATM) withdrawals — are made with smart cards.

By contrast, fraud in the United Kingdom reached £165 million (\$247 million) in 1992, up from £60 million in 1989, and annual bank-card fraud in the United States is estimated at more than \$1 billion. While the number of cards in circulation and the volume of purchases and ATM withdrawals in these markets may be higher than in France, note analysts, France is still the international leader in reducing domestic fraud in proportionate terms. Moreover, the systems and technology by which French banks have seen the "carre à puce" program through to fruition are being increasingly explored by non-French banks and payment services organizations seeking to emulate the French results.

The situation in France has improved significantly, especially this year, and the success is apparently linked to the chip," said Guido Heyns, an executive at Europay International in Brussels, which markets the Eurocard and MasterCard brand names in Europe. "The only way to attack the technology, assuming one does not know the personal identification number, is to steal or lose the card, so it would be to tinker with the chip itself, which few criminals have the capacity to do. We think the chip card is the way forward, and it is part of our future strategy."

Wynne Evans, an official of the London-based Association for Payment Clearing Services (APACS), a trade group for U.K. banks and building societies, said the smart card was one of several technological solutions being examined by British bankers to combat the fraud problem. "One of the things the chip does is set up a situation in which the technology, not a human being, makes the decision as to whether a card is accepted or rejected," he said. "That's the way we want to go."

The roots of the smart-card program in France go back to the mid-1980s, when French bankers began to study the possibility of embedding a microchip, partly developed by French computer maker Groupe Bull, onto bank cards. At that time, French cards utilized the same type of technology that is still prevalent throughout most of the world: a magnetic stripe attached to the back of the card, which contains coded information identifying its proper user. Motivation for the program was provided by the high degree of bank-card fraud in France, which itself was related to a national trend away from checks and toward the debit

card as the main mode of noncash payment.

Most bank cards in France are still debit cards, which, in effect, deduct electronically the amount of a purchase from the card holder's bank account. The concept of a "credit" card with a revolving credit line, which remains the norm in the United States and the United Kingdom, is relatively early stage in France.

"It wasn't until 1987 that we started to envisage seriously putting the chip on all bank cards," said Max Auriol, chief executive of Groupe des Cartes Bancaires, formed in 1984 as a trade organization for French banks. "But we had problems with the compatibility of cards and terminals which were being used at the point of sale. We had to stop the program, review it, and relaunch it in 1990, that time with much better results."

PRESENTLY, the chips for French bank cards are manufactured by the French electronics concern Thomson CSF and by U.S.-based Motorola Inc. The software contained on the chips is produced by Groupe Bull and by T.R.T., the French telecommunications company.

Most of the terminals that receive the card and provide initial payment processing are made by Dassault Electronique S.A., which specializes in electronic automation systems.

Just how does the chip technology better than the magnetic stripe in a retail store or restaurant environment? The key is the four-digit personal identification number (PIN). A lost or stolen magnetic-stripe card can be used by anyone able to execute a rough forgery of the card owner's signature, even if the validity of the card itself is electronically

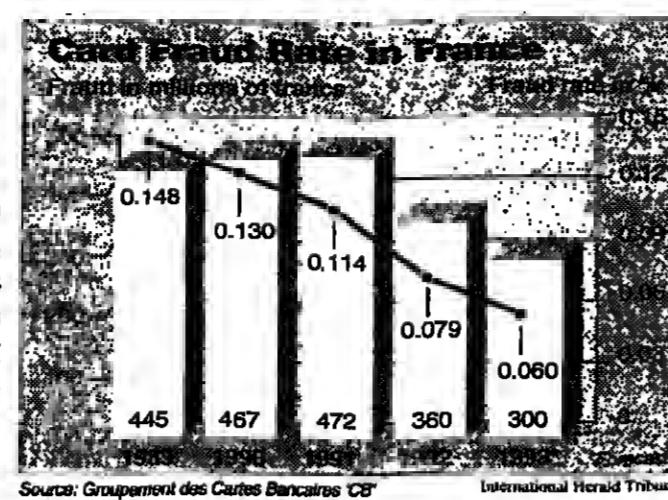
authorized "on line" at the point of sale. Bankers lament, moreover, that few retailers bother to scrutinize signatures for fear of insulting customers.

In France, however, virtually all establishments that accept bank cards have a portable terminal equipped with a keyboard on which the card owner types in his or her PIN, which is unknown even to the card-issuing bank, whose computers randomly generate the numbers. The chip verifies both the card's validity and the PIN, and the terminal produces a receipt in seconds. French consumers have become accustomed to this highly efficient process.

The PIN also verifies the correct card owner at French ATMs, as do magnetic-stripe ATMs in the United States. But experts say that the chip's advanced safeguards would have defeated last May's scam in which brazen criminals installed a bogus ATM in a Connecticut shopping mall that copied PINs off the magnetic-stripe cards that were inserted into it. The high-tech thieves then made counterfeit magnetic-stripe cards, which were used to raid accounts, using real ATMs.

But if the chip card fights fraud so effectively, why hasn't every major bank card market followed suit?

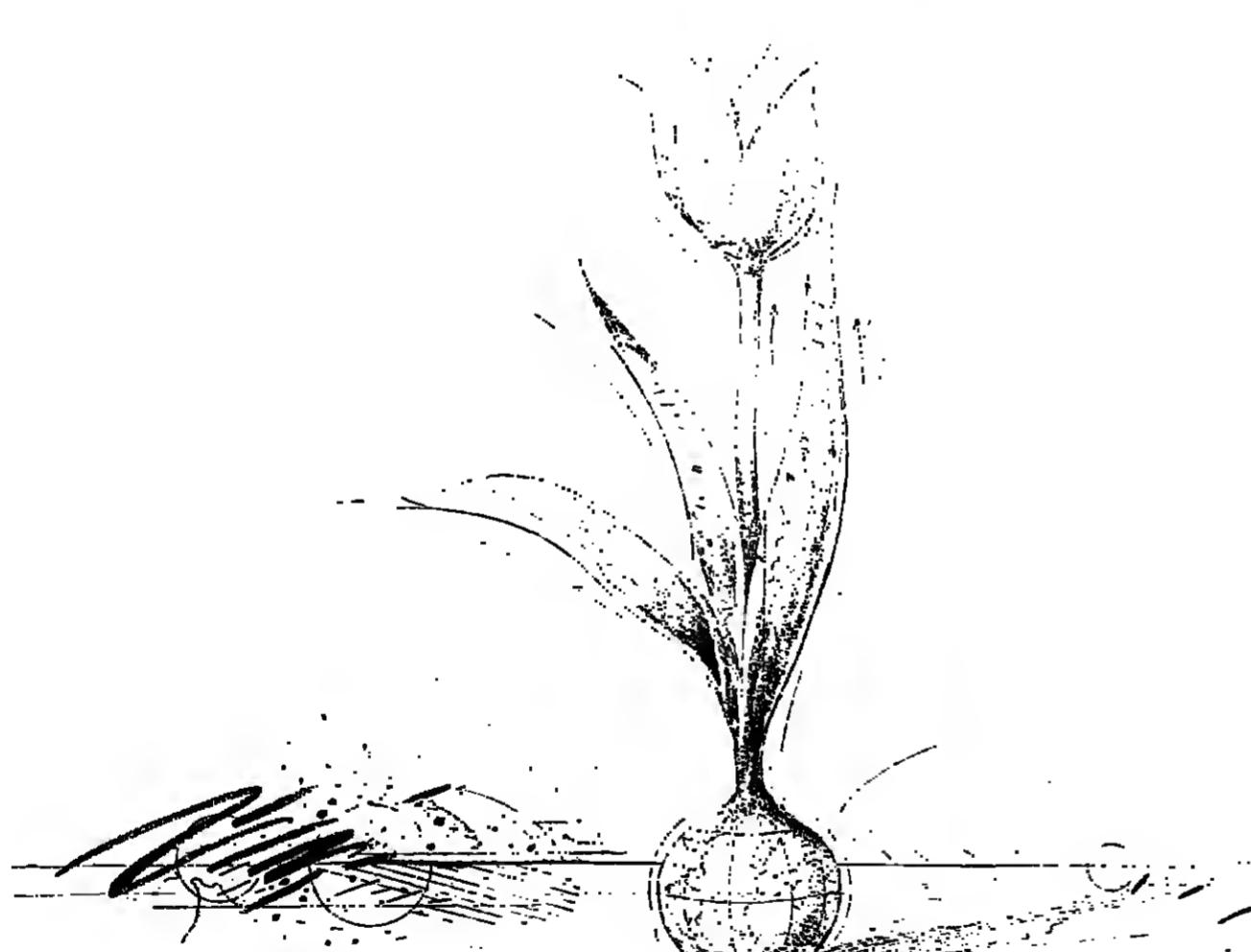
PHILIP CRAWFORD writes about finance and economics from Paris.



Source: Groupe des Cartes Bancaires CB

International Herald Tribune

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Banks Watch Interest Rates And Wait for Better Times

By Conrad de Aenlle

PARIS — The recession that is making most of Europe feel fairly morose has not given French bankers much to cheer about either. The promise of lower interest rates has remained substantially unfulfilled; and along with it the promise of better times that those lower rates were supposed to bring.

Both of these elusive economic circumstances were supposed to bail the banks out of their languishing funk by improving their earnings and allowing some of their strapped corporate and retail customers to repay loans. So far, no such luck.

Provisions for bad loans last year are estimated at 115 billion francs, or around \$20 billion, 64 percent higher than in 1991. That has, of course, depressed profits in the industry. Earnings at publicly listed French banks were generally flat in 1992, but they remain stuck at levels somewhat worse than those of the late 1980s, which was the last pleasant time to be a bank in France. This year's first half offered no respite.

Earnings at the recently privatized Banque Nationale de Paris fell 60 percent year to year during the half, to 522 million francs, and Chairman Michel Pébereau has told the public to expect more of the same in the second half. One thing that did go up in the first half, by 42 percent, were reserves for bad loans. Other banks are doing a little better. Crédit Commercial de France and Société Générale each reported gains of close to 10 percent for the first half. Somehow, CCF was able to do it with a 68 percent increase in bad-debt provisions, while those at Société Générale were up just 3 percent. Banque Paribas was a standout, with earnings rising to 2 billion francs from 60 million a year earlier.

Regulators, trying to prepare the public for the bad news, said before the first-half figures were announced that things were not all that bad, especially compared with the United States and Japan. "French banks are well equipped to overcome" the state of bad real estate loans, Hervé Hannoun, deputy governor of the Banque de France, told a press conference last June. "The stability of the French banking system has not been undermined. Some institutions ran into difficulties, but these were isolated cases."

May be so, but as the six-month figures show, bad loans have become a persistent problem for more than a few banks, and some who follow the industry think this is putting them in a bad spot, compared with banks elsewhere in Europe.

"They are having some problems; they are doing worse than most," observed Christ Davis, who follows European banks for Barclays de Zoete Wedd. "The recession has hit them harder" than banks in Switzerland, say, or Germany. "The difficulties confronting the sector have been felt by big and small banks alike, although they have traveled different paths to arrive at the same sorry place."

"The Suez and Paribas of this world have taken their pain along with everyone else," said Mr. Davis. "The difference there is the big boys' problem has essentially been in lending quality with small and mid-sized corporations: Paribas and Indosuez are not in that market at all. They lend to larger corporations, and that's all right, but they have above-average exposure in the property market."

BNP is a big boy with big problems, and they are not likely to end soon. Mr. Davis said there may be a modest recovery next year, but "if you're looking for a strong recovery, you'll have to wait until 1995."

But while business at BNP may not be better for quite a while, its transfer into private hands means

business will certainly be different — for employees, stockholders, customers, and other banks, too. "The largest commercial bank is in the private sector, meaning it will be managed for the shareholder rather than with the state in mind," explained J. Paul Horne of Smith Barney Shearson.

"That will be healthy for the industry. We'll finally see the French banking system, led by this bank, increasingly resorting to layoffs. It's been clear for a long time that French banks are overstaffed."

The bloated employment rolls have kept the costs of BNP's, and other banks', services higher than they should have been, Mr. Horne said. Because their labor costs are high, the spread between the interest they pay depositors and the interest they charge borrowers must be high, as well.

That spread ought to come down, although it will probably be a slow process — banks seldom pass on savings at breakneck speed — but customer charges are likely to rise, he said; as banks are able to take full advantage of their marketplace, freed from constraints imposed by the state.

"I think we're going to see bank costs all across the range of services go up at BNP, with others to follow," Mr. Horne said.

Being in the private sector should also make it easier for BNP to form links with foreign banks, such as the one with Dresdner of Germany. The two banks extend currencies to each other's customers and are expected to set up a joint retail branch in Eastern Europe and take 10 percent holdings of each other's stock. Société Générale, too, has an arrangement with the British bank National Westminster in which each helps the other's clients when they journey onto its turf.

"In terms of forming international alliances, a lot of companies prefer to be dealing with an entire private bank," said an analyst who follows BNP for a London brokerage. "It's a guarantee for shareholders that basically the bank will be acting in their best interests, rather than anybody else's."

Forming such alliances allows banks and insurance companies, which also are actively seeking foreign ties, to offer more services to clients abroad without incurring the higher costs of an acquisition," the analyst said. "It enables them to increase the level of service to clients. That's the idea, I mean."

What's going to help French banks out of their difficulty, Mr. Davis and others believe, are the long-sought reductions in interest rates, which at last seem to be happening. The German and French central banks lowered key lending rates late in October. "Lower rates will certainly help them improve their margins over a period," Mr. Davis said. "It will also help them reduce the cost of carrying these nonperforming loans and their investment portfolios."

The London analyst, who insisted on anonymity, concurs: "I think rates in the end will be coming down to lower levels than most people expect at this stage. There will be a reversal of the very tight monetary policy in realization of tight economic circumstances."

The trick for banks, said Mr. Horne, will be to sit on the gains from the lower cost of funding as long as possible without cutting loan rates. "Banks are not going to immediately pass interest rate savings onto the consumer," he said. "Therefore, they're going to improve their balance sheets."

The French economy bottomed out in the second quarter, he reckons, meaning consumer spending is bound to rise and borrower's will be better able to repay loans. At the same time, with rates lower, there ought to be more of an appetite for taking on new debt, all of which should make banks healthier.

CONRAD DE AENILLE writes about finance and economics from Paris.

Mutual Fund Giant Challenged

By Martin Baker

PARIS — It has risen from obscurity to No. 2 on the world stage, just behind the United States. It dwarfs every other market in Europe. It has a new and vital role to play in its government's economic policy. Whatever way you look at it, the French mutual fund industry has a bigger profile than ever before.

The sheer size of the industry often surprises international observers, many of whom tend to associate mutual funds with risk investment and Anglo-Saxon countries. According to statistics from the senior French financial watchdog, the Commission des Opérations de Bourse (COB), 1,915 trillion French francs (about \$325 billion) were held in the most popular mutual fund vehicle, the Société d'Investissement et Capital Variable (SICAV). At the end of the first quarter of 1993, the next most popular collective vehicle, the Fonds Communs de Placement, had 697.6 billion francs under management at the end of 1992.

The French industry is more than twice as big as Europe's next biggest market, the United Kingdom. The British industry is celebrating what is already a record year for asset growth, yet the total under management in unit trusts (unquoted vehicles always open to new investors) was up 10 percent to £24.1 billion (\$32.6 billion), according to figures from Audit, the U.K. fund industry trade association.

The size and success of the French fund industry is in part attributable to the French banks, who have traditionally been somewhat miserly with the yield offered on their deposit accounts. The result has been, after a little adjustment in the tax laws late in the 1980s, a flight into mutual funds. The great majority (around 70 percent) of money in SICAVs is invested in funds that buy cash instruments on the international money markets. Bonds account for around 19 percent of the SICAV market, and funds that invest in shares make up the rest of

around 11 percent.

The pronounced preference for money market funds and bond funds, which are only slightly more risky, gives a good picture of the psyche of the French mutual fund investor.

Risk-aversion has historically always been the French investor's mentality," says Robert Marjolin, managing director of Micropal (France), the international fund monitoring group. "The French have always preferred bonds for historical reasons. It's not always easy to understand why when you look at some of the scams there have been."

Those conservative investing preferences are being challenged by the French government. One of the first things that the Balladur administration did after its election in March was to announce a tax incentive designed to persuade investors to sell some of their money market fund holdings and buy shares in its huge, 40 billion-franc privatization program. It has become a plank of the new government's policy to unlock some of the capital held in these funds and encourage equity investment.

The tax incentive is proving popular, and capital is flowing into the "Balladur bonds" as signed to be a halfway house on the road to purchasing privatization issues. A tax incentive is one thing, but opinion is divided as to whether French investors are really changing their attitude to risk investment.

"I think people are beginning to appreciate the risks-to-reward factor, particularly at the top end of the market," said Marc Londeau, managing director of Olympia Capital Management, a Paris-based investment house specializing in managed risk investment. Others argue that the concept of accepting risk to achieve reward is still little understood by the average investor. "People have a somewhat contradictory attitude to risk," said Jean Saint-Geours, chairman of the COB. "They are prepared to accept it, so long as they win." He pointed to the first round of privatizations in 1986, which turned out to be a bonanza

for subscribers. Then came the crash of 1987.

"It was a cold shower after the great enthusiasm shown for the first privatization," said Pierre de Leusse, vice president of Paribas Asset Management. "The result is that there are still fewer French equity investors than there are in other developed countries."

Alain Hindle, head of the asset management division of Crédit Lyonnais in Paris, concurred: "Overall, I don't think attitudes are changing. The Balladur initiatives are attractive, but the bulk of money is remaining in market funds."

INSTITUTIONAL investors, however, are slightly more interested in risk-oriented investment, observed Mr. Hindle. "Although the big corporate investors are more cash-rich than before, because of prevailing economic conditions, there is an increasing tendency to commit money to SICAVs with a balanced portfolio of assets, mainly fixed- and floating-rate bonds."

At Paribas, Mr. de Leusse has been using the strategy of "the intermediate step" to entice investors toward risk investment. His company has launched two funds that use options and futures to enhance performance, while guaranteeing a certain income level.

"If investors accept that their holding might be volatile for the first six months, we offer to beat the benchmark bond rate by 2 percent," he said. "If they accept a year's volatility, we offer to beat it by 4 percent."

The consensus view is that if investing patterns do not change now, when conditions appear to favor equity investment, they may not do so for some time. "We have ideal conditions now," said Mr. de Leusse. "Low inflation, low interest rates, and share markets moving ahead. Investors can now look at international share markets and see what they would have gotten elsewhere."

MARTIN BAKER is editor of the International Herald Tribune's Money Report.

SPORTS

Miami's Marino: Down, and Out?

By Leonard Shapiro

Washington Post Service

MIAMI — Already the talk is starting, the "thinking the unthinkable," as one local talk show host put it. Trade Dan Marino? Pay Scott Mitchell, an unrespected free agent when this season ends, whatever it takes to keep him swimming with all the other Miami Dolphins?

Mitchell, after four years as understudy to an iron man, is having the time of his life. The 25-year-old quarterback has directed the team to four straight victories since a torn Achilles tendon ended Marino's season and a streak of 145 straight starts.

"I'm having a great time; this is what you always dream about," Mitchell said 24 hours before the best time, and game, of his career in the National Football League.

In a contest with several intriguing subplots, Don Shula played the leading man with his record-tying 324th NFL coaching victory Sunday. Mitchell, however, was easily best supporting actor in the game against the Kansas City Chiefs.

Their Joe Montana was supposed to be the marquee quarterback, but Mitchell stole this show with an almost-flawless performance, completing 22 of 33 passes for 344 yards, three touchdowns and no interceptions in a 30-10 victory. Montana limped out of the stadium on crutches with a pulled left hamstring.

In his first four games, Mitchell's numbers have been extraordinary. He's 44 for 68 for 652 yards, six touchdowns and only one interception.

He now finds himself in an enviable position. If the Dolphins decide to stay with the 33-year-old Marino — who will earn an average of \$5 million a year through 1996 — Mitchell should be showered with lucrative free-agent offers from teams desperate for quarterback help.

Because of the salary cap kicking in next season, it seems unlikely Miami will be able to keep both.

Now, Mitchell said the other day, he's only concerned about helping this team get back to the Super Bowl. With Miami at 6-1 and playing with supreme confidence, that is a distinct possibility in a season when there are no dominant American Football Conference teams, unless Montana can get a body transplant.

Mitchell also said Shula has made his transition as easy as possible, just as he's always done with reserve quarterbacks.

Shula, with backups replacing injured starters, is 27-7, and that doesn't count his 1-1 record with the San Jose Sharks. 3-3.

Thomas Booley, who scored the first U.S. goal in the upset of England, and Kristine Lilly were named players of the year by the U.S. Soccer Federation.

"I know he moved in with me, but he hasn't done that with me," Mitchell said. "Here, you're en-

spected to know the offense, even if you don't get the reps in practice."

The coach, he added, "expects you to know everything, and that's helped me understand things."

"He didn't really change anything when Dan got hurt. He said it would be business as usual. He emphasized to the other guys they'd have to pick up the slack. Maybe there was more of a sense of urgency with me in there. I just know these guys are really playing hard."

Shula said he had made some minor moves to take advantage of Mitchell's ability to scramble out of the pocket, unlike the more stationary Marino. Some blocking adjustments also were necessary because Mitchell is left-handed.

"I'm sure he's caught a lot of people's eyes," Shula said. "In the last two weeks, I don't know how you could give us any more leadership. He's made all the plays. He knows what's going on out there."

Mitchell's passing prowess has been no secret since he left the University of Utah after his junior year with 10-National Collegiate Athletic Association throwing records: once passing for 631 yards against Air Force. He also was a World League sensation in 1992, leading Orlando to the league final.

"You better not mess with Scott Mitchell, because he'll make you pay," said veteran receiver Irvin Fryar. "If you blitz the guy, he's going to burn you. If you try to take away the run bar give him the pass; he's happy to win that."

"I've got as much confidence in Mitch as I do in Dan."



Nikolai Todorov appeared to lay an egg as his club, Levski Sofia, was eliminated by Werder Bremen in the Champions' Cup.

SIDELINES

Bowe Doffs His Shirt — and No Flab

LAS VEGAS (AP) — Rumors that heavyweight champion Riddick Bowe would come overweight for his rematch with Evander Holyfield proved to be just that: rumors.

Bowe made a point of taking off his T-shirt on Tuesday after his final sparring session for Saturday's fight and, in doing so, dispelled questions about his condition.

He did appear heavier than the 235 pounds (106 kilograms) he weighed when he won the title from Holyfield a year ago, but not by too much.

For the Record

Nick Faldo withdrew from England's two-man team in next week's World Cup of Golf in Florida because of a recurring wrist injury, but said he would play in this week's rich Volvo Masters — the European tour's final event this year — because he is seeking a second straight money title.

(Reuters)

Russia's weightlifting federation said it had paid \$30,000 of the \$50,000 fine imposed by the IWF last week, after three athletes tested positive for drugs, and should avoid a year-long ban.

(Reuters)

Mario Lemieux, in his second game this season because of chronic back problems, got his first goal and two assists as the Pittsburgh Penguins rallied to the San Jose Sharks 3-3.

Thomas Booley, who scored the first U.S. goal in the upset of England, and Kristine Lilly were named players of the year by the U.S. Soccer Federation.

Quotable

• Frank Orr of the Toronto Sun: "If the North American Free Trade Agreement goes into effect, does that mean Canadian football teams will have to have four players from Mexico on their roster?"

• Blackie Sherrod of the Dallas Morning News, on the chase for NFL free-agent players: "Many NFL owners previously thought to be astute businessmen, have behaved like teenagers set loose in a mall with daddy's credit card."

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